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錦州銀行股份有限公司

Bank of Jinzhou Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Bank for the six-month period ended 30 June 2020 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed this Interim Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	BANK OF JINZHOU CO., LTD.
Legal Representative:	Mr. Wei Xuekun
Authorised Representatives:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USDPREF
Stock Code of Offshore Preference Shares:	4615

1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Yu Jun (whose qualification is subject to the approval of the regulatory authorities)
Joint Company Secretaries:	Mr. Yu Jun and Ms. Leung Wing Han Sharon
Company Website:	www.jinzhoubank.com
E-mail:	webmaster@jinzhoubank.com
Telephone:	+86(416)3220002
Fax:	+86(416)3220003
Registered Address:	No.68 Keji Road, Jinzhou City, Liaoning Province, the People's Republic of China (the "PRC")
Principal Place of Business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank ("Shareholders") for the Reporting Period and net asset attributable to Shareholders as at the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2020 vs Interim period of 2019	For the year ended 31 December 2019
	2020	2019	Rate of change (%)	
Operating Results				
Interest income	20,940,446	26,190,636	(20.0)	47,820,476
Interest expense	(14,887,830)	(14,347,280)	3.8	(28,475,443)
Net interest income	6,052,616	11,843,356	(48.9)	19,345,033
Net fee and commission income	92,809	152,823	(39.3)	231,714
Net trading gains	288,751	1,469,666	(80.4)	3,372,617
Dividend income	–	1,200	(100.0)	1,200
Net (losses)/gains arising from investment securities	(153)	77,623	(100.2)	240,556
Net foreign exchange gains/(losses)	1,790	(5,266)	(134.0)	(42,008)
Other net operating income	8,655	7,786	11.2	20,587
Operating income	6,444,468	13,547,188	(52.4)	23,169,699
Operating expenses	(1,511,117)	(1,823,905)	(17.1)	(3,761,683)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June		Interim period of 2020 vs interim period of 2019	For the year ended 31 December 2019
	2020	2019	Rate of change (%)	
Operating Results				
Operating profit before impairment	4,933,351	11,723,283	(57.9)	19,408,016
Impairment losses on assets	(4,428,740)	(12,774,275)	(65.3)	(20,846,120)
Profit/(loss) before tax	504,611	(1,050,992)	(148.0)	(1,438,104)
Income tax (expenses)/credit	(91,349)	182,619	(150.0)	327,858
Net profit/(loss)	413,262	(868,373)	(147.6)	(1,110,246)
Net profit/(loss) attributable to equity shareholders of the parent company	406,644	(998,600)	(140.7)	(958,545)
Calculated on a per share basis (RMB)			Change	
Basic and diluted earnings/(losses) per share	0.05	(0.13)	0.18	(0.12)
Major Indicators of Assets/Liabilities	As at 30 June 2020	As at 31 December 2019	30 June 2020 vs 31 December 2019	As at 30 June 2019
			Rate of change (%)	
Total assets	821,265,555	836,694,191	(1.8)	825,457,531
Of which: net loans and advances to customers	407,329,790	452,695,511	(10.0)	398,224,318
Total liabilities	761,339,447	777,188,742	(2.0)	765,749,861
Of which: deposits from customers	413,977,645	407,112,779	1.7	447,867,324
Share capital	7,781,616	7,781,616	0.0	7,781,616
Total equity attributable to equity shareholders of the parent company	56,085,459	55,671,418	0.7	55,591,711
Total equity	59,926,108	59,505,449	0.7	59,707,670

2.2 Financial Indicator

	For the six-month period		Interim	For the year ended
	ended 30 June		period of 2020	
	2020	2019	vs interim	31 December 2019
Profitability Indicators (%)			period of 2019	
			Change	
Return on average total assets ⁽¹⁾	0.10*	(0.21)*	0.31	(0.13)
Return on average equity ⁽²⁾	1.77*	(4.31)*	6.08	(2.07)
Net interest spread ⁽³⁾	1.33*	2.76*	(1.43)	2.29
Net interest margin ⁽⁴⁾	1.59*	2.93*	(1.34)	2.48
Net fee and commission income				
to operating income ratio	1.44	1.13	0.31	1.00
Cost-to-income ratio ⁽⁵⁾	20.96	12.40	8.56	15.02
	As at	As at	30 June 2020 vs	As at
	30 June 2020	31 December 2019	31 December 2019	30 June 2019
Assets Quality Indicators (%)			Change	
Non-performing loan ratio ⁽⁶⁾	1.94	7.70	(5.76)	6.88
Provision coverage ratio ⁽⁷⁾	243.73	115.01	128.72	105.75
Provision to loans ratio ⁽⁸⁾	4.73	8.86	(4.13)	7.27
Capital Adequacy Indicators (%)			Change	
Core tier-one capital adequacy ratio ⁽⁹⁾	5.50	5.15	0.35	5.14
Tier-one capital adequacy ratio ⁽¹⁰⁾	6.94	6.47	0.47	6.41
Capital adequacy ratio	9.06	8.09	0.97	7.47
Total equity to total assets	7.30	7.11	0.19	7.23

Notes: * indicates annualised ratios

- (1) Represents the net profit for the period/year as a percentage of the average balance of total assets at the beginning and the end of that period/year.
- (2) Represents the Bank's net profit attributable to the parent company for the period/year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, which are calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Provision to loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

In the context of the global pandemic of the COVID-19, the global economy continued to further sink into recession, international trade and investment had shrunk sharply, the international financial market was violently turbulent, international exchanges were restricted, economic globalization was seeing a countercurrent, and various contradictions and problems have become increasingly apparent. Unstable factors and uncertainties had increased obviously. The domestic economy was undergoing profound changes, and it is in a critical period of transforming development mode, optimizing economic structure, and creating new growth momentum, facing difficulties and challenges brought about by the interweaving of structural, institutional and cyclical issues. In addition, due to the impact of the COVID-19 epidemic, economic downside risks have increased, and the real economy encountered some difficulties, especially for those industries and enterprises which are heavily affected by the epidemic and are facing tremendous pressure. The top priority for the development in the financial industry is to closely follow our national strategy, improve its ability to serve the real economy, reduce the financing cost of the real economy, enhance the efficiency of financial resource allocation and strengthen financial risk prevention and control.

During the Reporting Period, after the introduction of strategic investors and reform and reorganization, the Bank reshaped its development positioning, and insisted on serving the real economy, clearly stayed true to the positioning of “serving the local economy, serving small and micro businesses, and serving urban and rural residents” as a city commercial bank. The Bank actively implemented the requirements of the Party committees and Governments, the People’s Bank of China (the “PBOC”), and the China Banking and Insurance Regulatory Commission (the “CBIRC”) to support the resumption of operation and production of enterprises, further strengthened financial support to small and micro enterprises to overcome difficulties, and improved finance service quality and efficiency, which reflected the responsibility of the Bank as a financial institution. The Bank solidly followed the direction of transformation and development, continued to improve its business operations, gradually improved the effectiveness of its internal management, strengthened risk prevention and product system innovation. The Bank also implemented institutional reforms and reshaped organizational structures, and actively promoted corporate governance and strategic transformation. The Bank established an efficient operation mechanism that the Party committee and the “the general meeting, the Board, the board of supervisors and senior management” perform their duties by law and cooperate closely. The operation ability of “the general meeting, the Board, the board of supervisors and senior management” was enhanced, and the corporate governance standard was further improved. The Bank launched the additional capital contribution scheme to enhance its capital strength, and implemented the asset restructuring program to lay the foundation for long-term stability, so as to provide targeted solutions to the problems affecting and restricting its development.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB821,266 million, representing a decrease of 1.8% as compared to that as at 31 December 2019; the net loans and advances to customers amounted to RMB407,330 million, representing a decrease of 10.0% as compared to that as at 31 December 2019; the non-performing loan ratio was 1.94%, representing a decrease of 5.76 percentage points as compared to that as at 31 December 2019; the deposits from customers balance of the Bank amounted to RMB413,978 million, representing an increase of 1.7% as compared to that as at 31 December 2019. During the Reporting Period, the operating income of the Bank amounted to RMB6,444 million, and the net profit amounted to RMB413 million.

As at the end of the Reporting Period, the Bank’s capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio amounted to 9.06%, 6.94% and 5.50%, respectively.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020	2019	Change in amount	Rate of change (%)
Interest income	20,940,446	26,190,636	(5,250,190)	(20.0)
Interest expense	(14,887,830)	(14,347,280)	(540,550)	3.8
Net interest income	<u>6,052,616</u>	<u>11,843,356</u>	<u>(5,790,740)</u>	(48.9)
Net fee and commission income	92,809	152,823	(60,014)	(39.3)
Net trading gains	288,751	1,469,666	(1,180,915)	(80.4)
Dividend income	–	1,200	(1,200)	(100.0)
Net (losses)/gains arising from investment securities	(153)	77,623	(77,776)	(100.2)
Net foreign exchange gains/(losses)	1,790	(5,266)	7,056	(134.0)
Other net operating income	8,655	7,786	869	11.2
Operating income	<u>6,444,468</u>	<u>13,547,188</u>	<u>(7,102,720)</u>	(52.4)
Operating expenses	(1,511,117)	(1,823,905)	312,788	(17.1)
Impairment losses on assets	(4,428,740)	(12,774,275)	8,345,535	(65.3)
Profit/(loss) before tax	<u>504,611</u>	<u>(1,050,992)</u>	<u>1,555,603</u>	(148.0)
Income tax (expense)/credit	(91,349)	182,619	(273,968)	(150.0)
Net profit/(loss)	<u><u>413,262</u></u>	<u><u>(868,373)</u></u>	<u><u>1,281,635</u></u>	(147.6)

During the Reporting Period, the Bank's profit before tax was RMB505 million; the net profit was RMB413 million, net interest income was RMB6,053 million, representing a decrease of RMB5,791 million or 48.9% as compared to that for the six-month period ended 30 June 2019, mainly because the interest income for assets to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 93.9% and 87.4% of operating income in the Reporting Period and for the six-month period ended 30 June 2019, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			Rate of change (%)
	2020	2019	Change in amount	
Interest income	20,940,446	26,190,636	(5,250,190)	(20.0)
Interest expense	<u>(14,887,830)</u>	<u>(14,347,280)</u>	<u>(540,550)</u>	3.8
Net interest income	<u>6,052,616</u>	<u>11,843,356</u>	<u>(5,790,740)</u>	(48.9)

The following table sets forth, for the periods indicated, the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and average yield on interest-earning assets or average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2020			For the six-month period ended 30 June 2019		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	474,015,179	14,396,550	6.07	388,815,968	14,161,531	7.28
Investment securities and other financial assets	203,396,122	5,716,821	5.62	325,352,662	10,858,811	6.68
Deposits with the central bank	44,991,723	343,332	1.53	57,062,668	438,050	1.54
Deposits with banks and other financial institutions	15,839,763	94,269	1.19	15,940,725	189,010	2.37
Placements with banks and other financial institutions	7,625,603	84,826	2.22	6,295,280	125,441	3.99
Financial assets held under resale agreements	10,649,097	103,721	1.95	5,896,058	71,865	2.44
Finance lease receivables	<u>5,755,530</u>	<u>200,927</u>	6.98	<u>8,893,397</u>	<u>345,928</u>	7.78
Total interest-earning assets	<u>762,273,017</u>	<u>20,940,446</u>	5.49	<u>808,256,758</u>	<u>26,190,636</u>	6.48

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2020			For the six-month period ended 30 June 2019		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	383,606,118	7,354,964	3.83	445,119,132	8,100,284	3.64
Deposits from banks and other financial institutions	179,321,958	4,345,144	4.85	151,055,099	3,454,271	4.57
Placements from banks and other financial institutions	13,178,271	218,172	3.31	39,807,289	546,445	2.75
Financial assets sold under repurchase agreements	8,385,338	111,519	2.66	41,601,991	566,159	2.72
Debt securities payable	130,621,846	2,835,650	4.34	89,804,933	1,624,785	3.62
Borrowing from the central bank	630,535	22,381	7.10	2,937,000	46,734	3.18
Lease liability	–	–	–	397,321	8,602	4.33
Total interest-bearing liabilities	<u>715,744,066</u>	<u>14,887,830</u>	4.16	<u>770,722,765</u>	<u>14,347,280</u>	3.72
Net interest income		6,052,616			11,843,356	
Net interest spread⁽¹⁾			1.33			2.76
Net interest margin⁽²⁾			1.59			2.93

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest-earning assets).

The following table sets forth, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rate of the interest-earning assets and interest-bearing liabilities. Effect caused by changes of both volume and interest rate has been allocated to changes in net interest income.

	For the six-month period ended 30 June 2020 vs 2019		
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	3,103,142	(2,868,123)	235,019
Investment securities and other financial assets	(4,070,362)	(1,071,628)	(5,141,990)
Deposits with the central bank	(92,664)	(2,054)	(94,718)
Deposits with banks and other financial institutions	(1,197)	(93,544)	(94,741)
Placements with banks and other financial institutions	26,508	(67,123)	(40,615)
Financial assets held under resale agreements	57,933	(26,077)	31,856
Finance lease receivables	(122,054)	(22,947)	(145,001)
	<u>(1,098,694)</u>	<u>(4,151,496)</u>	<u>(5,250,190)</u>
Changes in interest income			
Interest-bearing Liabilities			
Deposits from customers	(1,119,415)	374,095	(745,320)
Deposits from banks and other financial institutions	646,396	244,477	890,873
Placements from banks and other financial institutions	(365,543)	37,270	(328,273)
Financial assets sold under repurchase agreements	(452,043)	(2,597)	(454,640)
Debt securities payable	738,475	472,390	1,210,865
Borrowing from the central bank	(36,701)	12,348	(24,353)
Lease liability	(8,602)	–	(8,602)
	<u>(597,433)</u>	<u>1,137,983</u>	<u>540,550</u>
Changes in interest expense			
Changes in net interest income			
	<u>(501,261)</u>	<u>(5,289,479)</u>	<u>(5,790,740)</u>

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for such previous period.
- (2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the period.
- (3) Represents interest income or expense for the period minus interest income or expense for the previous period.

3.2.1.2 Interest income

The following table sets forth, for the periods indicated, the breakdown of the Bank's interest income:

	For the six-month period ended 30 June			
	2020		2019	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	14,127,848	67.5	13,714,872	52.4
Personal loans	241,629	1.2	362,429	1.4
Discounted bills	27,073	0.1	84,230	0.3
Subtotal	14,396,550	68.8	14,161,531	54.1
Investment securities and other financial assets	5,716,821	27.3	10,858,811	41.5
Deposits with the central bank	343,332	1.6	438,050	1.7
Deposits with banks and other financial institutions	94,269	0.5	189,010	0.7
Financial assets held under resale agreements	103,721	0.5	71,865	0.3
Placements with banks and other financial institutions	84,826	0.4	125,441	0.5
Finance lease receivables	200,927	0.9	345,928	1.2
Total	20,940,446	100.0	26,190,636	100.0

The Bank's interest income decreased by 20.0% to RMB20,940,446 thousand in the Reporting Period from RMB26,190,636 thousand for the six-month period ended 30 June 2019, mainly because the interest income for the assets to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 68.8% and 54.1% of the Bank's interest income in the Reporting Period and for the six-month period ended 30 June 2019, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June					
		2020			2019	
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	461,744,035	14,127,848	6.12	373,529,004	13,714,872	7.34
Personal loans	9,977,348	241,629	4.84	11,815,021	362,429	6.14
Discounted bills	<u>2,293,796</u>	<u>27,073</u>	2.36	<u>3,471,943</u>	<u>84,230</u>	4.85
Total	<u>474,015,179</u>	<u>14,396,550</u>	6.07	<u>388,815,968</u>	<u>14,161,531</u>	7.28

Interest income from loans and advances to customers increased by 1.7% from RMB14,161,531 thousand for the six-month period ended 30 June 2019 to RMB14,396,550 thousand for the Reporting Period, primarily due to the increase in interest income from the increased average balance of loans and advances to customers, partially offset by the decrease in interest income resulted from the decreased average yield. The average balance of loans and advances to customers increased by 21.9% from RMB388,815,968 thousand for the six-month period ended 30 June 2019 to RMB474,015,179 thousand during the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans; and (ii) the Bank moderately increased its loan scale based on the development needs of the real economy and its own business development plan. The average yield decreased from 7.28% for the six-month period ended 30 June 2019 to 6.07% during the Reporting Period, primarily because (i) the interest income for loans and advances to customers to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period; and (ii) the Bank recognised the loans and advances to customers to be disposed of as assets held for sale as at the end of the Reporting Period, which had minimal impact on the average balance of loans and advances to customers.

(2) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 47.4% to RMB5,716,821 thousand in the Reporting Period from RMB10,858,811 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance of investment securities and other financial assets and decline in average yield. The average balance of investment securities and other financial assets decreased by 37.5% from RMB325,352,662 thousand for the six-month period ended 30 June 2019 to RMB203,396,122 thousand during the Reporting Period, mainly due to the Bank's reclassification of the business type of part of beneficiary rights transfer plan measured at amortised cost to loans. The average yield decreased from 6.68% for the six-month period ended 30 June 2019 to 5.62% during the Reporting Period, primarily because (i) the interest income for beneficiary right transfer plan at amortised cost to be disposed of was no longer recognised by the Bank as agreed in the Framework Disposal Agreement during the Reporting Period; and (ii) the Bank recognised as beneficiary right transfer plan at amortised cost to be disposed of as assets held for sale as at the end of the Reporting Period, which had minimal impact on the average balance of investments in securities and other financial assets.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 21.6% to RMB343,332 thousand in the Reporting Period from RMB438,050 thousand for the six-month period ended 30 June 2019, mainly due to the decrease of average balance of deposits with the central bank.

(4) Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 50.1% to RMB94,269 thousand in the Reporting Period from RMB189,010 thousand for the six-month period ended 30 June 2019, primarily due to the decrease of interest income resulted from the decrease in average yield of deposits with banks and other financial institutions of the Bank. The average yield decreased from 2.37% for the six-month period ended 30 June 2019 to 1.19% during the Reporting Period, mainly due to the increase in the business scale of current deposits with interbank with lower yield during the Reporting Period in order to balance liquidity risks and returns.

(5) Interest income from placements with banks and other financial institutions

Interest income from placements with banks and other financial institutions decreased by 32.4% to RMB84,826 thousand in the Reporting Period from RMB125,441 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 21.1% to RMB7,625,603 thousand in the Reporting Period from RMB6,295,280 thousand for the six-month period ended 30 June 2019. The average yield of placements with banks and other financial institutions decreased to 2.22% in the Reporting Period from 3.99% for the six-month period ended 30 June 2019.

(6) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by 44.3% to RMB103,721 thousand in the Reporting Period from RMB71,865 thousand for the six-month period ended 30 June 2019, primarily due to the increase in interest income from the increase in the average balance of financial assets held under resale agreements, partially offset by the decrease in interest income as a result of the decrease in the average yield. The average balance of financial assets held under resale agreements increased by 80.6% to RMB10,649,097 thousand in the Reporting Period from RMB5,896,058 thousand for the six-month period ended 30 June 2019, primarily due to the Bank's increment in scale of investment in financial assets held under resale agreements for balanced gains and liquidity management. The average yield decreased from 2.44% for the six-month period ended 30 June 2019 to 1.95% in the Reporting Period, mainly due to the drop in interest rates of the interbank capital market.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables decreased by 41.9% to RMB200,927 thousand for the Reporting Period from RMB345,928 thousand for the six-month period ended 30 June 2019, mainly attributable to the decrease in the average balance and average yield of financial lease receivables.

3.2.1.3 Interest expense

The following table sets forth, for the periods indicated, the principal components of the Bank's interest expense:

	For the six-month period ended 30 June			
	2020		2019	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Deposits from customers	7,354,964	49.4	8,100,284	56.5
Deposits from banks and other financial institutions	4,345,144	29.2	3,454,271	24.1
Placements from banks and other financial institutions	218,172	1.5	546,445	3.8
Financial assets sold under repurchase agreements	111,519	0.7	566,159	4.0
Debt securities payable	2,835,650	19.0	1,624,785	11.3
Borrowing from the central bank	22,381	0.2	46,734	0.3
Lease liability	–	–	8,602	0.0
Total	14,887,830	100.0	14,347,280	100.0

(1) Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June					
	Average balance	2020 Interest expense	Average cost (%)	Average balance	2019 Interest expense	Average cost (%)
Corporate deposits						
Time	61,081,762	890,900	2.92	146,927,739	1,807,763	2.46
Demand	36,979,952	220,815	1.19	40,678,040	948,000	4.66
Subtotal	<u>98,061,714</u>	<u>1,111,715</u>	2.27	<u>187,605,779</u>	<u>2,755,763</u>	2.94
Personal deposits						
Time	260,270,960	5,933,221	4.56	234,666,261	5,088,522	4.34
Demand	25,273,444	310,028	2.45	22,847,092	255,999	2.24
Subtotal	<u>285,544,404</u>	<u>6,243,249</u>	4.37	<u>257,513,353</u>	<u>5,344,521</u>	4.15
Total deposits from customers	<u>383,606,118</u>	<u>7,354,964</u>	3.83	<u>445,119,132</u>	<u>8,100,284</u>	3.64

Interest expense on deposits from customers decreased by 9.2% to RMB7,354,964 thousand in the Reporting Period from RMB8,100,284 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance of the Bank's deposits from customers.

(2) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 25.8% to RMB4,345,144 thousand in the Reporting Period from RMB3,454,271 thousand for the six-month period ended 30 June 2019, primarily due to the increase in interest expense resulted from the increase in the average balance and average cost of deposits from banks and other financial institutions.

(3) Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased by 60.1% to RMB218,172 thousand in the Reporting Period from RMB546,445 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in interest expenses as a result of the decrease in the average balance of placements from banks and other financial institutions, partially offset by the increase in interest expenses as a result of the increase in the average interest costs. The average balance of placements from banks and other financial institutions decreased by 66.9% to RMB13,178,271 thousand in the Reporting Period from RMB39,807,289 thousand for the six-month period ended 30 June 2019, mainly because the Bank reduced the transaction volume of foreign currency placements from banks and other institutions. The average interest payment rate of placements from banks and other institutions increased from 2.75% for the six-month period ended 30 June 2019 to 3.31% in the Reporting Period, which was primarily due to the increase in RMB placements from bank and other institutions with higher interest payment rates.

(4) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 80.3% to RMB111,519 thousand in the Reporting Period from RMB566,159 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the average balance and average cost. The average balance of financial assets sold under repurchase agreements decreased by 79.8% to RMB8,385,338 thousand in the Reporting Period from RMB41,601,991 thousand for the six-month period ended 30 June 2019, mainly because the Bank decreased the scale of financial assets sold under repurchase agreements due to the need for balancing liquidity and gains management. The average cost of financial assets sold under repurchase agreements decreased from 2.72% for the six-month period ended 30 June 2019 to 2.66% in the Reporting Period, primarily due to the decrease in the average interest rate in the capital market in the Reporting Period.

(5) Interest expense on debt securities payable

During the Reporting Period, the Bank's interest expense on debt securities payable increased by RMB1,210,865 thousand or 74.5% to RMB2,835,650 thousand from that for the six-month period ended 30 June 2019, primarily due to the increase in the Bank's average balance and average cost of debt securities payable. The average balance of debt securities payable increased by 45.5% to RMB130,621,846 thousand in the Reporting Period from RMB89,804,933 thousand for the six-month period ended 30 June 2019, mainly because the Bank increased issuance of interbank certificates of deposit; the average cost increased to 4.34% in the Reporting Period from 3.62% for the six-month period ended 30 June 2019.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, interest expense on borrowing from the central bank of the Bank decreased by 52.1% from RMB46,734 thousand for the six-month period ended 30 June 2019 to RMB22,381 thousand in the Reporting Period, mainly attributable to the decrease in the average balance of borrowing from the central bank of the Bank. The average balance of borrowing from the central bank decreased by 78.5% to RMB630,535 thousand in the Reporting Period from RMB2,937,000 thousand for the six-month period ended 30 June 2019, mainly due to the Bank's repayment of borrowing from central bank.

3.2.1.4 Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

The net interest spread decreased to 1.33% in the Reporting Period as compared to 2.76% for the six-month period ended 30 June 2019 and the net interest margin decreased to 1.59% in the Reporting Period as compared to 2.93% for the six-month period ended 30 June 2019, primarily due to the decrease of average yield of the Bank's interest-earning assets and the increase of average cost of interest-bearing liabilities.

3.2.1.5 Non-interest income

(1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020	2019	Change in amount	Rate of change (%)
Fee and commission income				
Agency services fees	11,511	42,163	(30,652)	(72.7)
Settlement and clearing fees	28,679	76,120	(47,441)	(62.3)
Wealth management service fees	63,757	86,384	(22,627)	(26.2)
Underwriting and advisory fees	2,387	40,434	(38,047)	(94.1)
Bank card service fees	6,783	5,946	837	14.1
Others	5,374	23,580	(18,206)	(77.2)
Subtotal	118,491	274,627	(156,136)	(56.9)
Fee and commission expense				
Settlement and clearing fees	11,736	21,420	(9,684)	(45.2)
Others	13,946	100,384	(86,438)	(86.1)
Subtotal	25,682	121,804	(96,122)	(78.9)
Net fee and commission income	92,809	152,823	(60,014)	(39.3)

The Bank's fee and commission income decreased by 56.9% to RMB118,491 thousand in the Reporting Period as compared to RMB274,627 thousand for the six-month period ended 30 June 2019, mainly attributable to the decrease in settlement and clearing fees, underwriting and advisory fees of the Bank. Settlement and clearing fees decreased by 62.3% to RMB28,679 thousand in the Reporting Period from RMB76,120 thousand for the six-month period ended 30 June 2019, mainly because the Bank reduced business of letters of credit and acceptance bills, resulting in decrease of fee income of corporate settlement business. Underwriting and advisory fees decreased by 94.1% to RMB2,387 thousand in the Reporting Period from RMB40,434 thousand for the six-month period ended 30 June 2019, which was mainly due to the decrease in underwriting fee of debt securities.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 78.9% to RMB25,682 thousand in the Reporting Period as compared to RMB121,804 thousand for the six-month period ended 30 June 2019.

(2) Net trading gains

Net trading gains primarily comprises of net income from financial assets and liabilities at fair value through profit or loss. The Bank incurred a net trading gain of RMB288,751 thousand, representing a decrease of 80.4% as compared to RMB1,469,666 thousand for the six-month period ended 30 June 2019, primarily due to the decrease in the size of the Bank's investment business at fair value through profit or loss.

(3) Net (losses)/gains from investment securities

During the Reporting Period, net loss from investment securities was RMB153 thousand as compared with net gains from investment securities of RMB77,623 thousand for the six-month period ended 30 June 2019. During the Reporting Period, net loss from investment securities was mainly due to the loss on the Bank's disposal of investment securities.

(4) Net foreign exchange gains/(losses)

During the Reporting Period, net exchange gains were RMB1,790 thousand as compared with net exchange loss of RMB5,266 thousand for the six-month period ended 30 June 2019, During the Reporting Period, net exchange gains were mainly due to changes in exchange rates.

(5) Other net operating income

Other net operating income increased by 11.2% to RMB8,655 thousand in the Reporting Period from RMB7,786 thousand for the six-month period ended 30 June 2019, mainly due to the increase in gains from asset disposal.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,511,117 thousand, representing a decrease of RMB312,788 thousand or 17.1% as compared with that for the six-month period ended 30 June 2019.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020	2019	Change in amount	Rate of change (%)
Staff costs	741,656	977,879	(236,223)	(24.2)
General and administrative expenses	320,816	378,357	(57,541)	(15.2)
Depreciation and amortisation	288,063	274,576	13,487	4.9
Tax and surcharges	160,297	144,416	15,881	11.0
Others	285	48,677	(48,392)	(99.4)
Total operating expenses	<u>1,511,117</u>	<u>1,823,905</u>	<u>(312,788)</u>	(17.1)

(1) Staff costs

The following table sets forth, for the periods indicated, the principal components of the Bank's staff costs:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020	2019	Change in amount	Rate of change (%)
Salaries and bonuses	579,544	730,030	(150,486)	(20.6)
Social insurance	59,654	142,776	(83,122)	(58.2)
Housing allowances	57,856	51,280	6,576	12.8
Union funds and education funds	23,083	28,711	(5,628)	(19.6)
Staff welfares	17,609	22,548	(4,939)	(21.9)
Supplementary retirement benefit	1,312	1,212	100	8.3
Other long-term staff welfare	2,598	1,322	1,276	96.5
Total staff costs	<u>741,656</u>	<u>977,879</u>	<u>(236,223)</u>	(24.2)

During the Reporting Period, the Bank's total staff costs was RMB741,656 thousand, representing a decrease of RMB236,223 thousand or 24.2% as compared with that for the six-month period ended 30 June 2019, primarily due to a decrease in labor costs as a result of the remuneration decrease of employees and number of staff of the Bank.

(2) General and administrative expenses

General and administrative expenses decreased by 15.2% to RMB320,816 thousand in the Reporting Period as compared to RMB378,357 thousand for the six-month period ended 30 June 2019, mainly because the Bank strengthened its cost control.

(3) Depreciation and amortisation

Depreciation and amortisation increased by 4.9% to RMB288,063 thousand in the Reporting Period as compared to RMB274,576 thousand for the six-month period ended 30 June 2019, primarily due to the increase in asset depreciation and amortisation expenses as a result of an increase in the Bank's capital expenditure.

(4) Tax and surcharges

The Bank's tax and surcharges increased by 11.0% to RMB160,297 thousand in the Reporting Period as compared to RMB144,416 thousand for the six-month period ended 30 June 2019, primarily attributable to the increase in value-added tax.

(5) Others

Other operating expense decreased by 99.4% to RMB285 thousand in the Reporting Period from RMB48,677 thousand for the six-month period ended 30 June 2019.

3.2.1.7 Impairment losses on assets

The following table sets forth, for the periods indicated, the principal components of the Bank's impairment losses on assets:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June	
	2020	2019
Loans and advances to customers		
– expected credit loss (“ECL”) over the next 12 months	167,777	773,081
– lifetime ECL - not credit-impaired loans	1,821,738	3,327,750
– lifetime ECL - credit-impaired loans	1,517,191	4,465,924
Subtotal	3,506,706	8,566,755
Deposits and placements with banks and other financial institutions	(1,204)	109,087
Financial assets at fair value through other comprehensive income	9,288	(6,452)
Financial assets measured at amortised cost	1,070,517	4,238,766
Finance lease receivables	38,660	(74,643)
Credit commitments	(195,087)	(128,586)
Others	(140)	69,348
Total	<u>4,428,740</u>	<u>12,774,275</u>

Impairment losses on assets decreased by 65.3% to RMB4,428,740 thousand in the Reporting Period from RMB12,774,275 thousand for the six-month period ended 30 June 2019, mainly because (i) the Bank recognised the loans and advances to customers to be disposed of and financial assets measured at amortised cost as assets held for sale, which improved the quality of its credit assets, resulting in a decrease in provision for impairment losses of assets made during the Reporting Period; and (ii) the scale of credit commitments decreased, which increased the reversal of impairment losses for credit commitments as compared with that for the six-month period ended 30 June 2019.

3.2.1.8 Income tax (expense)/credit

During the Reporting Period, the Bank's income tax expense was RMB91,349 thousand, and income tax credit for the six-month period ended 30 June 2019 was RMB182,619 thousand. During the Reporting Period, the Bank's actual tax rate was 18.10%, representing an increase of 0.73 percentage points as compared with that for the six-month period ended 30 June 2019.

3.2.2 Analysis of the statement of financial position

3.2.2.1 Assets

As at the end of the Reporting Period and as at 31 December 2019, the total assets of the Bank were RMB821,265,555 thousand and RMB836,694,191 thousand, respectively. As at the end of Reporting Period, the principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) assets held for sale, accounting for 49.6%, 21.1% and 14.6%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	411,944,221	50.2	489,116,947	58.5
Interest receivable loss on loans and advances to customers	14,884,338	1.8	6,916,601	0.8
Provision of impairment loss on loans and advances to customers	(19,498,769)	(2.4)	(43,338,037)	(5.2)
Net loans and advances to customers	407,329,790	49.6	452,695,511	54.1
Net investment securities and other financial assets, net ⁽¹⁾	172,962,138	21.1	232,866,405	27.8
Cash and deposits with the central bank	45,970,983	5.6	105,176,537	12.6
Deposits with banks and other financial institutions	27,012,030	3.3	8,301,592	1.0
Financial assets held under resale agreements	13,521,683	1.6	–	–
Placements with banks and other financial institutions	5,682,521	0.7	5,643,864	0.6
Finance lease receivables	4,182,628	0.5	6,408,314	0.8
Assets held for sale	120,000,000	14.6	–	–
Other assets ⁽²⁾	24,603,782	3.0	25,601,968	3.1
Total assets	<u>821,265,555</u>	<u>100.0</u>	<u>836,694,191</u>	<u>100.0</u>

Notes:

- (1) Include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- (2) Include property and equipment, deferred tax assets, positive fair value of derivatives and others.

The Bank's total assets decreased by 1.8% from RMB836,694,191 thousand as at 31 December 2019 to RMB821,265,555 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB411,944,221 thousand, representing a decrease of 15.8% as compared to that as at 31 December 2019. Total loans and total advances to customers accounted for 50.2% of the Bank's total assets, representing a decrease of 8.3 percentage points as compared to that as at 31 December 2019.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Corporate loans	390,697,628	94.9	478,058,240	97.7
Personal loans	10,070,833	2.4	10,832,280	2.2
Discounted bills	<u>11,175,760</u>	<u>2.7</u>	<u>226,427</u>	<u>0.1</u>
Total loans and advances to customers	<u>411,944,221</u>	<u>100.0</u>	<u>489,116,947</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprises of corporate loans, personal loans and discounted bills. Corporate loans is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2019, the Bank's corporate loans amounted to RMB390,697,628 thousand and RMB478,058,240 thousand, respectively, accounting for 94.9% and 97.7% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans decreased by 18.3% from RMB478,058,240 thousand as at 31 December 2019 to RMB390,697,628 thousand as at the end of the Reporting Period, primarily because the Bank recognised its loans and advances to customers to be disposed of as the assets held for sale.

The Bank's personal loans mainly comprises of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at the end of the Reporting Period, the balance of personal loans amounted to RMB10,070,833 thousand, representing a decrease of RMB761,447 thousand or 7.0% as compared to that as at 31 December 2019, accounting for 2.4% of the Bank's total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2019, collateralised loans, pledged loans or guaranteed loans represented, in aggregate, 91.8% and 96.5%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Unsecured loans	33,639,723	8.2	17,138,867	3.5
Guaranteed loans	195,885,345	47.5	260,445,235	53.2
Collateralised loans	109,509,864	26.6	147,589,293	30.2
Pledged loans	<u>72,909,289</u>	<u>17.7</u>	<u>63,943,552</u>	<u>13.1</u>
Total loans and advances to customers	<u>411,944,221</u>	<u>100.0</u>	<u>489,116,947</u>	<u>100.0</u>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB182,419,153 thousand, representing a decrease of RMB29,113,692 thousand or 13.8% as compared to that as at 31 December 2019, and accounting for 44.3% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB229,525,068 thousand, representing a decrease of RMB48,059,034 thousand representing a decrease of 17.3% as compared to that as at 31 December 2019, and accounting for 55.7% of the Bank's total loans and advances to customers.

B. Movements of provision for impairment losses on loans and advances to customers

- (i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2020	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Transferred:				
– to ECL over the next 12 months	(578,518)	260,923	317,595	–
– to lifetime ECL - not credit-impaired loans	275,615	(308,225)	32,610	–
– to lifetime ECL - credit-impaired loans	97,858	211,868	(309,726)	–
Net charge for the period	(167,777)	(1,821,738)	(1,517,191)	(3,506,706)
Write-offs for the period	–	–	567,625	567,625
Transferred to assets held for sale	432,676	3,485,367	22,860,306	26,778,349
As at 30 June 2020	<u>(12,091,256)</u>	<u>(2,485,857)</u>	<u>(4,921,656)</u>	<u>(19,498,769)</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL - not credit-impaired loans	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL - credit-impaired loans	345,649	1,186,374	(1,532,023)	–
Net charge/(release) for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs for the period	–	–	736,095	736,095
As at 31 December 2019	<u>(12,151,110)</u>	<u>(4,314,052)</u>	<u>(26,872,875)</u>	<u>(43,338,037)</u>

- (ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2020	(5,134)	–	–	(5,134)
Net charge for the period	–	–	–	–
As at 30 June 2020	(5,134)	–	–	(5,134)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2019	(11,586)	–	–	(11,586)
Net reversal for the year	6,452	–	–	6,452
As at 31 December 2019	(5,134)	–	–	(5,134)

Provision for impairment losses on loans decreased by 55.0% from RMB43,343,171 thousand as at 31 December 2019 to RMB19,503,903 thousand as at the end of the Reporting Period, primarily because the Bank transferred provision for impairment losses on loans and advances to customers to be disposed of to impairment on assets held for sale.

(2) Investment securities and other financial assets

Investment securities and other financial assets consists of debt investments, equity investments, investments using funds of wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2019, the Bank had net investment securities and other financial assets of RMB172,962,138 thousand and RMB232,866,405 thousand, accounting for 21.1% and 27.8% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Debt investments	44,488,067	27.3	65,047,599	28.4
Financial assets at fair value through profit or loss	27,539,719	16.9	48,869,919	21.3
Financial assets at fair value through other comprehensive income	11,443,086	7.0	11,196,501	4.9
Financial assets at amortised cost	5,517,864	3.4	4,993,287	2.2
Provision for impairment losses on debt investments	(12,602)	0.0	(12,108)	0.0
Equity investments	1,347,033	0.8	1,231,496	0.5
Financial assets at fair value through other comprehensive income	1,347,033	0.8	1,231,496	0.5
Wealth management products investments	3,765,446	2.3	6,287,252	2.7
Financial assets at amortised cost (other than debt investments)	113,746,571	69.6	156,778,573	68.4
Beneficial interest transfer plans	120,814,393	73.9	165,999,362	72.4
Provision for impairment losses on financial assets at amortised cost (other than debt investments)	(7,067,822)	(4.3)	(9,220,789)	(4.0)
Net investments	<u>163,347,117</u>	<u>100.0</u>	<u>229,344,920</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB163,347,117 thousand, representing a decrease of 28.8% from RMB229,344,920 thousand as at 31 December 2019, which was mainly attributable to (i) the Bank's recognition of investment securities and other financial assets to be disposed of as assets held for sale; and (ii) a decrease in the size of debt investments and wealth management products at fair value through profit or loss.

3.2.2.2 Liabilities

As at the end of the Reporting Period and as at 31 December 2019, the Bank's total liabilities amounted to RMB761,339,447 thousand and RMB777,188,742 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities payable accounting for 54.3%, 22.5% and 17.1%, respectively of the Bank's total liabilities as at the end of the Reporting Period.

The following table sets forth the compositions of the Bank's total liabilities as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Borrowing from the central bank	102,180	0.0	33,079,647	4.2
Deposits from customers	413,977,645	54.3	407,112,779	52.4
Deposits from banks and other financial institutions	171,759,383	22.5	178,117,754	22.9
Financial assets sold under repurchase agreements	19,602,805	2.6	10,106,602	1.3
Debt securities payable	129,938,048	17.1	110,108,837	14.2
Placements from banks and other financial institutions	17,901,218	2.4	27,731,363	3.6
Financial liabilities at fair value through profit or loss	3,773,853	0.5	6,282,210	0.8
Other liabilities ⁽¹⁾	4,284,315	0.6	4,649,550	0.6
Total	<u>761,339,447</u>	<u>100.0</u>	<u>777,188,742</u>	<u>100.0</u>

Note:

(1) Include negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities and others.

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers and product types as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	51,164,233	12.7	44,619,637	11.3
Time deposits	51,342,737	12.7	74,517,612	18.8
Subtotal	<u>102,506,970</u>	<u>25.4</u>	<u>119,137,249</u>	<u>30.1</u>
Personal deposits				
Demand deposits	26,627,732	6.6	24,407,499	6.2
Time deposits	275,200,455	68.0	252,765,638	63.7
Subtotal	<u>301,828,187</u>	<u>74.6</u>	<u>277,173,137</u>	<u>69.9</u>
Total	<u>404,335,157</u>	<u>100.0</u>	<u>396,310,386</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB404,335,157 thousand, representing an increase of RMB8,024,771 thousand or 2.0% as compared to that as at 31 December 2019. Deposits from customers (excluding interests payable) account for 53.1% of the total liabilities, representing an increase of 2.1 percentage points as compared to that as at 31 December 2019.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	22,987,402	13.5	50,154,053	28.4
– Other financial institutions	147,457,270	86.5	126,524,695	71.6
Total	<u>170,444,672</u>	<u>100.0</u>	<u>176,678,748</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (excluding interest payable) amounted to RMB170,444,672 thousand, decreased by RMB6,234,076 thousand or 3.5% from 31 December 2019.

(3) Debt securities payable

Upon the approval of the China Banking Regulating Commission (the "CBRC") and the People's Bank of China, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of the CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2019, the Bank issued 114 and 120 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB123,335 million and RMB103,454 million, respectively.

3.2.2.3 Shareholders' equity

The following table sets forth the composition of Shareholders' equity as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Share capital	7,781,616	13.0	7,781,616	13.1
Other equity instruments				
including: offshore preference shares	9,897,363	16.5	9,897,363	16.6
Capital reserve	20,590,718	34.4	20,583,321	34.6
Surplus reserve	2,994,679	5.0	2,994,679	5.0
General reserve	11,800,217	19.7	11,800,217	19.8
Retained earnings	3,020,866	5.0	2,614,222	4.4
Non-controlling interests	3,840,649	6.4	3,834,031	6.5
Total equity	59,926,108	100.0	59,505,449	100.0

3.2.3 Loan quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB8,002,174 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB19,503,903 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Normal	379,731,580	92.2	376,304,315	76.9
Special-mention	24,210,467	5.9	75,127,596	15.4
Substandard	6,602,475	1.6	28,725,027	5.8
Doubtful	1,313,057	0.3	8,171,797	1.7
Loss	<u>86,642</u>	<u>0.0</u>	<u>788,212</u>	<u>0.2</u>
Total loans and advances to customers	<u>411,944,221</u>	<u>100.0</u>	<u>489,116,947</u>	<u>100.0</u>
Non-performing loans	<u>8,002,174</u>	<u>1.94</u>	<u>37,685,036</u>	<u>7.70</u>

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank were 1.94% and 7.70%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period was 5.76 percentage points lower as compared to that as at 31 December 2019, primarily because non-performing loans of the Bank decreased after it recognised its loans and advances to customers to be disposed of as assets held for sale.

3.2.3.2 Concentration of loans

(1) Concentration by industry of corporate loans

Corporate loans consist of loans and advances to customers in various industries. The table below sets forth the breakdown of loans by industry as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	175,582,491	45.0	227,296,037	47.5
Manufacturing	94,240,522	24.2	97,315,189	20.4
Leasing and commercial services	33,673,301	8.6	43,653,896	9.1
Real estate	29,493,980	7.5	35,035,141	7.3
Education	6,907,977	1.8	7,197,553	1.5
Transportation, storage and postal services	5,874,184	1.5	10,793,156	2.3
Electricity, gas and water production and supply	4,247,257	1.1	6,600,856	1.4
Public management and social organisation	4,020,320	1.0	4,146,060	0.9
Science research and technological services	3,573,215	0.9	7,298,272	1.5
Construction	3,226,003	0.8	4,541,158	0.9
Water, environment and public utility management	3,144,530	0.8	3,602,950	0.8
Mining	1,944,789	0.5	5,139,382	1.1
Agriculture, forestry, animal husbandry and fishery	897,608	0.2	1,166,923	0.2
Others	23,871,451	6.1	24,271,667	5.1
Total loans and advances to customers	<u>390,697,628</u>	<u>100.0</u>	<u>478,058,240</u>	<u>100.0</u>

As at the end of the Reporting Period, corporate loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; (iii) leasing and commercial services; and (iv) real estate represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2019, the balance of loans provided to the corporate customers in the aforesaid four industries was RMB332,990,294 thousand and RMB403,300,263 thousand, respectively, accounting for 85.3% and 84.3% of the total corporate loans and advances granted by the Bank, respectively.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the top ten single borrowers as at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

Customer	Industry involved	As at 30 June 2020	
		Amount	% of total
Customer A	Manufacturing	6,412,482	1.6
Customer B	Manufacturing	5,447,500	1.3
Customer C	Manufacturing	5,199,950	1.3
Customer D	Manufacturing	5,000,000	1.2
Customer E	Manufacturing	4,000,000	1.0
Customer F	Manufacturing	3,948,130	1.0
Customer G	Manufacturing	3,666,350	0.9
Customer H	Leasing and commercial services	3,615,400	0.9
Customer I	Real estate	3,468,000	0.8
Customer J	Leasing and commercial services	3,000,000	0.7

(3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans by product type as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020			As at 31 December 2019		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small enterprises and micro enterprises	186,904,624	1,880,206	1.01	233,027,838	18,850,264	8.09
Medium enterprises	110,528,648	530,054	0.48	138,812,040	8,513,635	6.13
Others	<u>93,264,356</u>	<u>3,265,135</u>	3.50	<u>106,218,362</u>	<u>7,897,048</u>	7.43
Subtotal	<u>390,697,628</u>	<u>5,675,395</u>	1.45	<u>478,058,240</u>	<u>35,260,947</u>	7.38
Discounted bills	<u>11,175,760</u>	<u>-</u>	-	<u>226,427</u>	<u>-</u>	-
Personal loans						
Personal business loans	8,083,162	2,265,829	28.03	8,844,841	2,362,879	26.71
Personal consumption loans	420,622	25,486	6.06	468,807	26,330	5.62
Residential and commercial properties mortgage loans	1,389,133	30,824	2.22	1,349,141	31,013	2.30
Credit card overdrafts	177,633	4,357	2.45	169,203	3,579	2.12
Others	<u>283</u>	<u>283</u>	100.00	<u>288</u>	<u>288</u>	100.00
Subtotal	<u>10,070,833</u>	<u>2,326,779</u>	23.10	<u>10,832,280</u>	<u>2,424,089</u>	22.38
Total	<u>411,944,221</u>	<u>8,002,174</u>	1.94	<u>489,116,947</u>	<u>37,685,036</u>	7.70

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 1.94% as at the end of the Reporting Period, representing a decrease of 5.76 percentage points as compared to 7.70% as at 31 December 2019.

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank's corporate loans were 1.45% and 7.38%, respectively.

As at the end of the Reporting Period and as at 31 December 2019, the non-performing loan ratios of the Bank's personal loans were 23.10% and 22.38%, respectively.

(4) Overdue loans and advances to customers

The table below sets forth the aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	6,902,792	39.8	16,667,171	24.6
Overdue more than 3 months to 6 months (inclusive)	1,645,610	9.5	31,803,148	47.0
Overdue more than 6 months to 1 year (inclusive)	3,289,159	18.9	12,698,969	18.7
Overdue more than 1 year	<u>5,520,904</u>	<u>31.8</u>	<u>6,561,687</u>	<u>9.7</u>
Total overdue loans and advances to customers	<u>17,358,465</u>	<u>100.0</u>	<u>67,730,975</u>	<u>100.0</u>

3.2.4 Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 5.50%, representing an increase of 0.35 percentage points as compared to that as at 31 December 2019; the tier-one capital adequacy ratio was 6.94%, representing an increase of 0.47 percentage points as compared to that as at 31 December 2019; the capital adequacy ratio was 9.06%, representing an increase of 0.97 percentage points as compared to that as at 31 December 2019. The increase in capital adequacy ratios as at the end of the Reporting Period was mainly due to (i) a decrease in total risk weighted assets of the Bank; and (ii) the increase in total net capital resulted from an increase in the provision for excess loan losses that can be included in tier-two capital as a result of the decreased non-performing loans.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020	As at 31 December 2019
Core tier-one capital		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,585,585	20,578,189
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,800,217	11,800,217
– Retained earnings	3,020,866	2,614,222
– Qualifying portions of non-controlling interests	456,772	583,418
Core tier-one capital deductions		
– Other intangible assets other than land use right	<u>(249,128)</u>	<u>(255,880)</u>
– Other net deferred tax assets that depend on the Bank's future bank earnings	<u>(8,467,327)</u>	<u>(7,231,939)</u>
Net core tier-one capital	37,923,280	38,864,522
Other tier-one capital	9,949,935	9,975,152
Net tier-one capital	47,873,215	48,839,674
Tier-two capital		
– Instruments issued and share premium	6,500,000	6,500,000
– Surplus provision for loan impairment	7,998,917	5,553,557
– Qualifying portions of non-controlling interests	<u>101,442</u>	<u>146,726</u>
Net capital base	<u>62,473,574</u>	<u>61,039,957</u>
Total risk weighted assets	689,427,069	754,499,591
Core tier-one capital adequacy ratio	5.50%	5.15%
Tier-one capital adequacy ratio	6.94%	6.47%
Capital adequacy ratio	9.06%	8.09%

3.2.5 Segment information

3.2.5.1 Summary of geographical segments

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of the Bank's businesses are conducted in the PRC and the Bank classifies the Bank's businesses in the PRC into the following three major geographical regions:

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern China Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020		2019	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	4,558,111	70.7	10,714,408	79.0
Other Northeastern China Region	1,015,416	15.8	1,539,525	11.4
Northern China Region	870,941	13.5	1,293,255	9.6
Total	6,444,468	100.0	13,547,188	100.0

3.2.5.2 Summary of business segment

The Bank manages its business through different business segments divided by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the operating segments as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six-month period ended 30 June			
	2020		2019	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	4,711,610	73.2	6,660,432	49.2
Retail banking business	433,394	6.7	776,809	5.7
Treasury business	1,290,827	20.0	6,102,035	45.0
Others	8,637	0.1	7,912	0.1
Total	<u>6,444,468</u>	<u>100.0</u>	<u>13,547,188</u>	<u>100.0</u>

3.2.6 Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include acceptances, letters of credit, letters of guarantee, credit card commitments and loan commitments. Other off-balance sheet items mainly are capital expenditure commitments. Acceptances are commitments made by the Bank to the payment for a bank draft issued by the Bank's customers. The letters of guarantee and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020	As at 31 December 2019
Acceptances	84,017,537	119,543,175
Letters of credit	1,133,002	4,496,980
Letters of guarantee	102,372	99,443
Loan commitments	133,845	2,359,907
Credit card commitments	1,274,593	837,508
Subtotal	<u>86,661,349</u>	<u>127,337,013</u>
Capital expenditure commitments	50,769	47,169
Subtotal	<u>50,769</u>	<u>47,169</u>
Total	<u><u>86,712,118</u></u>	<u><u>127,384,182</u></u>

3.3 Risk Management

Comprehensive risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies.

The organisational structure of risk management of the Bank comprises the Board and its special committees, the board of supervisors, the senior management and its specialized committees, the risk management departments and internal audit departments.

The risk management strategy of the Bank aims to continuously improve the risk management system and strengthen the staff's sense of recognition on the risk management culture so as to achieve sustainable growth within a range of acceptable risks in line with the Bank's strategic requirements as well as the risk management policies and preferences.

The Bank has exposure to the following risks: credit risk, operational risk, market risk, liquidity risk, information technology risk and reputation risk.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed, to set internal control procedures for monitoring risks level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Bank's business activities.

3.3.1 Credit risk

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-credit management, non-performing loan management, and accountability. The Bank's credit and risk management department is responsible for loan management, five-category management, continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system; the credit review department is in charge of the improvement of the Bank's credit review system and operating procedures, and organizing the meeting of credit management committee; the risk asset management and disposal center is responsible for the liquidation and disposal of non-performing assets. With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Credit Approval Management Committee under the collective review system.

3.3.2 Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation. The Bank's internal control and compliance department is responsible for continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals, and conducting risk inspections on the risk management of all types and the internal control system.

3.3.3 Market Risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates risks, exchange rates risks, stock risks and commodity risks.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer due to the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed is match with the operational goals and the development plan of the Bank. The Bank's credit and risk management department is responsible for continuously monitoring and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, interbank department, financial management department, asset liability management department and financial market department are responsible for the interest rate risks and exchange rate risks based on their respective business scopes.

3.3.3.1 Interest rate risk

Interest rates in China have been gradually liberalised in recent years. The interest rate risk is mainly reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The Bank regularly performs assessment on the interest sensitivity of variety rate repricing gap and impact on the Bank's net interest income and economic value resulted from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

The Bank classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of short-term selling in the near term, or for the purpose of profit taking from actual or expected price fluctuations in a short term. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risks of banking book transactions.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation for the measurement of interest rate risks. The interest rate risks measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyses the net interest income, which focuses on the impact of changes in interest rate on the net interest income in the short run. The economic value simulation mainly analyses future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

The following tables indicate the financial assets and financial liabilities as at the end of the relevant periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	45,970,983	1,071,753	44,899,230	–	–	–
Deposits with banks and other financial institutions	27,012,030	115,016	26,863,008	34,006	–	–
Placements with banks and other financial institutions	5,682,521	174,295	–	–	5,508,226	–
Financial assets held under resale agreements	13,521,683	787	13,520,896	–	–	–
Loans and advances to customers ⁽¹⁾	407,329,790	14,884,338	38,615,467	146,525,259	198,152,556	9,152,170
Investments ⁽²⁾	172,962,138	10,962,054	48,562,511	60,705,914	43,258,396	9,473,263
Finance lease receivables ⁽³⁾	4,182,628	–	416,153	943,264	2,695,107	128,104
Others	144,603,782	144,570,012	12,572	21,198	–	–
Total assets	821,265,555	171,778,255	172,889,837	208,229,641	249,614,285	18,753,537
Liabilities						
Borrowing from the central bank	102,180	70	300	101,810	–	–
Deposits from banks and other financial institutions	171,759,383	1,314,711	80,132,842	24,305,000	66,006,830	–
Placements from banks and other financial institutions	17,901,218	5,821	17,395,397	500,000	–	–
Financial assets sold under repurchase agreements	19,602,805	20,632	19,490,775	91,398	–	–
Deposits from customers	413,977,645	9,642,488	115,555,021	122,843,975	165,934,081	2,080
Debt securities issued	129,938,048	108,173	61,539,784	61,795,417	–	6,494,674
Others	8,058,168	3,465,538	2,232,808	2,177,394	134,955	47,473
Total liabilities	761,339,447	14,557,433	296,346,927	211,814,994	232,075,866	6,544,227
Asset-liability gap	59,926,108	157,220,822	(123,457,090)	(3,585,353)	17,538,419	12,209,310

As at 31 December 2019						
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	Total					
Assets						
Cash and deposits with the central bank	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers ⁽¹⁾	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments ⁽²⁾	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables ⁽³⁾	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	<u>836,694,191</u>	<u>38,466,596</u>	<u>223,312,437</u>	<u>209,319,249</u>	<u>343,287,251</u>	<u>22,308,658</u>
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities payable	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	<u>777,188,742</u>	<u>16,283,567</u>	<u>377,444,067</u>	<u>212,698,874</u>	<u>164,170,392</u>	<u>6,591,842</u>
Asset-liability gap	<u>59,505,449</u>	<u>22,183,029</u>	<u>(154,131,630)</u>	<u>(3,379,625)</u>	<u>179,116,859</u>	<u>15,716,816</u>

Notes:

- (1) For loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB9,451 million as at the end of the Reporting Period (31 December 2019: RMB23,169 million).

- (2) Investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortised cost and other investments. For investments, the category “Less than three months” includes overdue amounts of RMB14,916 million (net of provision for impairment loss) as at the end of the Reporting Period (31 December 2019: RMB18,489 million).
- (3) For finance lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB46 million as at the end of the Reporting Period (31 December 2019: RMB316 million).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders’ equity. The following table sets forth, as of the dates indicated, the results of the interest rate sensitivity analysis based on the assets and liabilities as of the same dates:

	For the six-month period ended 30 June			
	2020		2019	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Changes in net profit	Changes in shareholders’ equity	Changes in net profit	Changes in shareholders’ equity
100 basis points increase	(2,316,355)	(2,697,027)	(1,138,680)	(2,173,018)
100 basis points decrease	2,317,826	2,724,884	1,141,306	2,244,842

3.3.3.2 Foreign rate risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer from losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer book losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank’s exchange rate risk mainly arises from foreign exchange self-investment of capital business, and other foreign exchange exposures. The Bank manages foreign currency risk by spot and forward foreign exchange rates, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by strict implementation of the process management of the foreign exchange business; continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Bank's currency exposures as at the end of the relevant periods are as follows:

	As at 30 June 2020			
	RMB	USD	Others	Total
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>
Assets				
Cash and deposits with the central bank	45,834,031	136,769	183	45,970,983
Deposits with banks and other financial institutions	26,501,131	450,451	60,448	27,012,030
Placements with banks and other financial institutions	5,682,521	–	–	5,682,521
Loans and advances to customers	406,723,573	594,626	11,591	407,329,790
Others	330,928,230	4,342,001	–	335,270,231
Total assets	<u>815,669,486</u>	<u>5,523,847</u>	<u>72,222</u>	<u>821,265,555</u>
Liabilities				
Borrowing from the central bank	102,180	–	–	102,180
Deposits from banks and other financial institutions	171,759,383	–	–	171,759,383
Placements from banks and other financial institutions	17,865,702	35,516	–	17,901,218
Deposits from customers	411,208,652	2,748,441	20,552	413,977,645
Debt securities payable	129,938,048	–	–	129,938,048
Others	27,582,995	77,845	133	27,660,973
Total liabilities	<u>758,456,960</u>	<u>2,861,802</u>	<u>20,685</u>	<u>761,339,447</u>
Net position	<u>57,212,526</u>	<u>2,662,045</u>	<u>51,537</u>	<u>59,926,108</u>
Off-balance sheet credit commitments	<u>86,248,955</u>	<u>384,609</u>	<u>27,785</u>	<u>86,661,349</u>

	As at 31 December 2019			
	RMB	USD	Others	Total
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	<u>831,016,755</u>	<u>5,537,040</u>	<u>140,396</u>	<u>836,694,191</u>
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities payable	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	<u>767,080,725</u>	<u>9,243,033</u>	<u>864,984</u>	<u>777,188,742</u>
Net position	<u>63,936,030</u>	<u>(3,705,993)</u>	<u>(724,588)</u>	<u>59,505,449</u>
Off-balance sheet credit commitments	<u>126,830,890</u>	<u>499,868</u>	<u>6,255</u>	<u>127,337,013</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		As at 31 December 2019	
	RMB	USD equivalent	RMB	USD equivalent
On-balance-sheet net foreign exchange exposures	2,713,582	383,301	(4,430,581)	(635,099)
Off-balance-sheet net foreign exchange exposures	<u>(1,214,873)</u>	<u>(171,604)</u>	<u>6,155,886</u>	<u>882,412</u>
Total net foreign exchange exposures	<u>1,498,709</u>	<u>211,697</u>	<u>1,725,305</u>	<u>247,313</u>

The Bank uses sensitivity analysis to measure the potential impact of changes in exchange rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's exchange rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Fluctuation of foreign exchange rates	For the six-month period ended 30 June			
		2020		2019	
Type of Currencies		Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
USD	1%	10,159	10,159	23,132	23,132
USD	-1%	(10,159)	(10,159)	(23,132)	(23,132)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities. The relevant analysis is based on below assumptions:

- The foreign exchange sensitivity represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;
- The fluctuation of exchange rates by 1% on the balance sheet date is based on the assumption of the fluctuation of exchange rates over the next full year from the balance sheet date;
- The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

3.3.4 Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

3.3.4.1 Liquidity risk management

The Bank has established asset and liability management strategies and liquidity management policy incorporated liquidity risk into its comprehensive risk management system, being responsible for bank-wide liquidity management, the asset and liability management committee of the Bank establishes the liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year. The Bank's assets and liabilities management department is responsible for the analysis and monitoring of the Bank's liquidity, while the asset and liability management committee is responsible for implementation of the liquidity management policies.

3.3.4.2 Liquidity risk analysis

The analysis of assets and liabilities of the Bank based on their remaining maturity date as at the end of relevant period is set out below:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	41,082,973	4,888,010	-	-	-	-	-	45,970,983
Deposit with banks and other financial institutions	43,589	23,865,974	75,957	2,992,385	34,125	-	-	27,012,030
Placements with banks and other financial institutions	-	-	-	-	-	5,682,521	-	5,682,521
Financial assets held under resale agreements	-	-	13,521,683	-	-	-	-	13,521,683
Loans and advances to customers	11,045,624	3,477,020	5,119,470	23,897,669	148,727,652	204,000,962	11,061,393	407,329,790
Investments	12,232,818	6,725,340	12,244,779	24,298,633	63,662,044	44,315,609	9,482,915	172,962,138
Finance lease receivables	844,846	-	-	416,153	943,264	1,850,261	128,104	4,182,628
Others	24,252,363	95,972	100	120,012,523	21,147	221,677	-	144,603,782
Total assets	89,502,213	39,052,316	30,961,989	171,617,363	213,388,232	256,071,030	20,672,412	821,265,555
Liabilities								
Borrowing from the central bank	-	-	-	300	101,880	-	-	102,180
Deposits from banks and other financial institutions	-	59,841,253	6,038,320	14,875,632	24,478,592	66,525,586	-	171,759,383
Placements from banks and other financial institutions	-	-	17,401,139	-	500,079	-	-	17,901,218
Financial assets sold under repurchase agreements	-	-	16,018,640	3,492,640	91,525	-	-	19,602,805
Deposits from customers	-	79,879,681	12,043,454	26,424,820	125,773,813	169,853,702	2,175	413,977,645
Debt securities payable	-	-	29,622,339	31,918,511	61,902,524	-	6,494,674	129,938,048
Others	-	3,399,470	938,285	1,222,025	2,249,478	137,685	111,225	8,058,168
Total liabilities	-	143,120,404	82,062,177	77,933,928	215,097,891	236,516,973	6,608,074	761,339,447
Asset-liability gap	89,502,213	(104,068,088)	(51,100,188)	93,683,435	(1,709,659)	19,554,057	14,064,338	59,926,108

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	43,964,829	61,211,708	-	-	-	-	-	105,176,537
Deposit with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	-	-	8,301,592
Placements with banks and other financial institutions	3,161,237	-	-	2,482,627	-	-	-	5,643,864
Loans and advances to customers	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	-	-	902,114	1,986,796	2,917,695	-	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	-	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	-	-	33,039,326	-	40,321	-	-	33,079,647
Deposits from banks and other financial institutions	-	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	-	178,117,754
Placements from banks and other financial institutions	-	-	17,187,677	5,856,149	4,687,537	-	-	27,731,363
Financial assets sold under repurchase agreements	-	-	3,563,991	6,542,611	-	-	-	10,106,602
Deposits from customers	-	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	-	-	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	-	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	-	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

As at the end of Reporting Period and as at 31 December 2019, the net stable funding ratio was 99.17% and 103.13%, respectively.

As at the end of Reporting Period, the stable funds available to the Bank were RMB545,197 million, and the required stable funds were RMB549,747 million.

3.3.5 Information Technology Risk

Information technology risk includes operational risk, legal risk, reputation risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology.

The Bank established an information technology risk management system and a corresponding organisation structure, including the Board of Directors, information technology management committee, information technology division under the information technology management department, risk compliance division under the information technology risk management responsibility department, and internal audit division under the information technology audit responsibility department. And according to the Bank's risk management capabilities, risk appetite and risk tolerance, it has set up appropriate risk management processes. Through adhering to a sound information technology risk management policy, establishing a scientific risk management organisation structure, and dividing clear risk management responsibilities to prevent major technology risk events, the Bank is able to maintain stable operation of the system and to control the Bank's information technology risk within a reasonable level.

3.3.6 Reputation risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management and other activities, or due to external events.

During the Reporting Period, the Bank did not have any major reputation risk events beyond its control. The Bank continues to strengthen the identification, monitoring, control and resolving of reputation risk, and continuously improves reputation risk management mechanism and improved the Bank's reputation risk prevention and response level to reduce losses caused by reputation events. The Bank enhanced emergency plan trainings, strengthened reporting mechanisms. The Bank strengthened the real-time monitoring of reputation risks, carefully analyzed and actively dealt with the problems found. The Bank carried out positive publicity and guidance, and based on comprehensive research and judgment of the public opinion environment, it responded to social concerns in an appropriate and timely manner, and informed the public and the media the operation and management of the Bank.

3.3.7 Anti-money Laundering Management

The Bank has attached great importance to anti-money laundering and anti-terrorist financing, strictly implemented anti-money laundering and anti-terrorist financing laws, regulations, and regulatory policies, earnestly fulfills anti-money laundering and anti-terrorist financing obligations, and establishes and improves internal control systems for anti-money laundering and antiterrorist financing, carried out customer identification work diligently, analyzed and identified suspicious transactions carefully, submitted reports on large-value transactions and suspicious transactions in a timely manner, and managed customer risk levels and classification management. In response to the current situation of anti-money laundering and anti-terrorist financing, the Bank will continuously strengthen the management of customer identification, strengthen the identification of the actual controller and beneficial owner of accounts, and firmly establish customer access risk defense. The Bank will strengthen the construction of independent monitoring indicator system for suspicious transactions, deepen the improvement of indicator rules and thresholds; strengthen on-site inspection and off-site supervision, and form a normalized supervision and inspection mechanism by combining with investigation of customers, accounts and transactions; strengthen the construction of the performance evaluation mechanism, incorporating the anti-money laundering and antiterrorist financing work into the performance evaluation management; strengthen the management of confidentiality work, and improve the anti-money laundering and anti-terrorist financing confidentiality awareness within the Bank; fully cooperate with the regulatory authorities to combat money laundering and terrorist financing crimes.

3.3.8 Protection of Consumer Rights

During the Reporting Period, the Bank implemented various policies and regulations for protection of consumer rights, strengthened the construction of consumer rights protection systems and mechanisms in accordance with regulatory requirements, built an overall framework for protection of consumer rights, and defined the responsibilities for protection of consumer rights at all levels. The Bank established an effective consumer rights protection system with clear contents and adequate protection, and strengthened management of consumer complaints, realized the whole-process control of consumer complaints to improve the quality and efficiency of complaint handling. During the epidemic, the Bank has adhered to the “people-oriented” development philosophy, by combining the epidemic prevention and control with the financial knowledge promotion and education, it helped consumers improve financial literacy and safety awareness, and thus earnestly fulfill the principal responsibility for protecting consumers’ rights and interests.

3.4 Prospects

In the first half of 2020, after its reform and reorganisation, the Bank has fully strengthened the leadership of the party, the corporate governance was improved substantially, the business operation was continuously improved, internal management was gradually enhanced, and epidemic prevention and control work was carried out solidly and effectively.

In the second half of 2020, with in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will continue to earnestly implement the spirit of the Central Economic Work Conference and policy requirements of regulatory authorities, take advantage of reform and reorganisation to carry out new development concepts. Keeping firmly in mind of its original aspiration and mission as an urban commercial bank and returning to the origin of serving the real economy via financial services, the Bank will insist on the positioning of “serving the local economy, serving small and micro private businesses, and serving urban and rural residents”. With its cultivation in regional markets and in-depth development of local customers as the focus, and differentiated and featured products and services as two advantages of its development strategy, fully implement the principles of safety, liquidity and efficiency of commercial banks and led by the implementation of “1226” development strategy, the Bank will proactively carry out the new development philosophy of “compliance, innovation, coordination and quality”. The Bank will continue to promote the implementation of basic management projects and quality and effectiveness projects, thoroughly implement the “1226” development strategy, coordinate the promotion of risk control, ensure stability, facilitate reforms and help development, and thus consolidate and expand the results of reform and reorganisation. The Bank will commit to establishing an improved and efficient internal management system, achieving the establishment of a sustainable and healthy development model, achievement of a series of good operation indicators, building of a set of advanced financial technology system and development of a professional talent team with high quality, striving to become a city commercial bank featured with high-quality organic development with internal driver, and thereby achieve a new leapfrog development of the Bank.

The Bank will continuously highlight the leading role of the Party and incorporate the leadership of the Party into all aspects of the corporate governance and operation and management of the Bank. The Bank will further improve its corporate governance, strengthen its risk management, and cultivate the compliance culture to build a comprehensive internal control and compliance system. The Bank will also enhance the deep integration of fintech and its business and implement the strategy of revitalizing it by talents, strengthen its more internal driving forces of development, so as to create a group of talents with the feature of the Bank and the ability to coordinate with the “1226” development strategy.

4. ISSUANCE OF BONDS

4.1 Issuance of Tier-two Capital Bonds

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

4.2 Issuance of Negotiable Certificates of Deposit

As at the end of the Reporting Period, 114 outstanding and not yet expired negotiable certificates of deposit were issued by the Bank with an aggregate amount of RMB123,335 million.

5. OTHER INFORMATION

5.1 Subsequent Events

Proposed private placement and substantial disposal in relation to disposal of assets

(a) Proposed Private Placement of New Domestic Shares Under the Specific Mandate

Reference is made to the announcement of the Bank dated 10 March 2020 (the “**Announcement dated 10 March**”), in relation to the Proposed Private Placement. Unless otherwise defined herein, the capitalized terms used in the section headed “Proposed Private Placement of New Domestic Shares Under the Specific Mandate” shall have same meanings as those defined in the Announcement dated 10 March.

On 23 January 2020, the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 per Subscription Share. Net proceeds from the issuance of the Subscription Shares are expected to be approximately RMB12.09 billion and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings.

Chengfang Huida will subscribe for an aggregate of 5,270 million Subscription Shares, with an aggregate nominal value of RMB5,270 million, representing approximately 67.72% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 37.69% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. Liaoning Financial Holding will subscribe for an aggregate of 930 million Subscription Shares, with an aggregate nominal value of RMB930 million, representing approximately 11.95% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 6.65% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. The Subscription Shares consist of 6.2 billion New Domestic Shares, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and representing approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares).

Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which is wholly-owned by Huida Asset Management. Each of Huida Asset Management and Chengfang Huida is managed by the PBOC in which all its economic benefits and voting power are held and controlled by the PBOC.

Information of Liaoning Financial Holding

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019, which is wholly-owned by the Liaoning Province Finance Department.

Grant of the Whitewash Waiver

On 8 July 2020, the Executive has conditionally granted the Whitewash Waiver, subject to (i) the Whitewash Waiver and the underlying transaction of the Whitewash Waiver (including the Subscription Agreement) being approved by the Independent Shareholders at the 2020 first extraordinary general meeting of the Bank, and (ii) there being no acquisition or disposal of voting rights being made by Chengfang Huida and parties acting in concert with it between the date of the Announcement dated 10 March and the completion of the Proposed Private Placement, unless prior consent was given by the Executive. On 10 July 2020, the abovementioned condition (i) has been fulfilled.

On 10 July 2020, the Bank held the 2020 first extraordinary general meeting which considered and approved: (a) the Whitewash Waiver granted or to be granted by the Executive pursuant to the Takeovers Code waiving any obligation on the part of Chengfang Huida to make a mandatory general offer for all the securities of the Bank not already owned or agreed to be acquired by it or parties acting in concert with it as a result of the Bank allotting and issuing the Subscription Shares to Chengfang Huida under the Subscription Agreement; and (b) the Subscription Agreement.

On 10 August 2020, the Bank announced that it has obtained the approval from CBIRC Liaoning Branch, pursuant to which CBIRC Liaoning Branch has approved the Bank's proposal to issue no more than 6.2 billion Domestic Shares under the Proposed Private Placement, and Chengfang Huida and Liaoning Financial Holding to subscribe and hold 5.270 billion Domestic Shares and 930 million Domestic Shares respectively, accounting for 37.69% and 6.65% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement.

On 14 August 2020, the Bank made further announcement for the approval of the CBIRC. As relevant approval was obtained from the CBIRC Liaoning Branch, all of conditions precedent are fulfilled except for the conditions precedent (i), (ii), (iii), (iv), (ix) and (x) under the Subscription Agreement relating to the compliance, representations and warranties by the Bank and the Subscribers as they shall be repeated at the Closing Date, all conditions precedent have been satisfied. The Bank is currently proceeding to implement the procedures of completing the Proposed Private Placement, including registering the Subscribers as Shareholders and handling the business changes registration.

For the details, please refers to Announcement dated 10 March and the announcements of the Bank dated 10 July 2020, 10 August 2020 and 14 August 2020.

Effect on the shareholding structure

The following table illustrates the shareholding structure of the Bank as at the end of the Reporting Period and immediately after the completion of the Proposed Private Placement (assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement):

	As at the end of the Reporting Period		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Non-public Domestic Shareholders				
– ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) ⁽¹⁾	841,822,258	10.82	–	–
– Chengfang Huida and parties acting in concert with it	–	–	5,270,000,000	37.69
	<u>841,822,258</u>	<u>10.82</u>	<u>5,270,000,000</u>	<u>37.69</u>
Public Domestic Shareholders				
– ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) ⁽¹⁾	–	–	841,822,258	6.02
– Cinda Investment Co., Ltd. (信達投資有限公司) ⁽²⁾	505,093,350	6.49	505,093,350	3.61
– Liaoning Financial Holding and parties acting in concert with it	–	–	930,000,000	6.65
– Other public Domestic Shareholders	<u>2,917,380,076</u>	<u>37.49</u>	<u>2,917,380,076</u>	<u>20.87</u>
	<u>3,422,473,426</u>	<u>43.98</u>	<u>5,194,295,684</u>	<u>37.15</u>
	<u><u>4,264,295,684</u></u>	<u><u>54.80</u></u>	<u><u>10,464,295,684</u></u>	<u><u>74.84</u></u>
H Shares	<u>3,517,320,000</u>	<u>45.20</u>	<u>3,517,320,000</u>	<u>25.16</u>
Total	<u><u>7,781,615,684</u></u>	<u><u>100.00</u></u>	<u><u>13,981,615,684</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Such Domestic Shares are directly held by ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司). Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank as defined under the Listing Rules and shall be deemed as a public Domestic Shareholder upon the completion of the Proposed Private Placement.
- (2) Such Domestic Shares are directly held by Cinda Investment Co., Ltd. (信達投資有限公司), a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida.

Effect on the financial data and indicators

After the completion of the Proposed Private Placement, the key financial data and indicators of the Bank change as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		After the completion VS before the completion	
	After the completion	(Before the completion)	Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	821,265,555	821,265,555	–	–
Total liabilities	749,249,447	761,339,447	(12,090,000)	(1.6)
Total equity	72,016,108	59,926,108	12,090,000	20.2
Share capital	13,981,616	7,781,616	6,200,000	79.7
Capital Adequacy Indicators (%)			Rate of Change	
Core tier-one capital adequacy ratio	7.40	5.50	1.90	
Tier-one capital adequacy ratio	8.83	6.94	1.89	
Capital adequacy ratio	10.95	9.06	1.89	
Total equity to total assets	8.77	7.30	1.47	

Upon the completion of the Proposed Private Placement, the total equity interest of the Bank will increase by RMB12.09 billion to RMB72.016 billion. The capital adequacy ratio is expected to amount to 10.95%, representing an increase of 1.89 percentage points as compared with that before the completion of the Proposed Private Placement. Through the above Proposed Private Placement, the Bank will introduce strong strategic investors to supplement capital strength, optimize the shareholding structure, improve the capital adequacy ratio and increase development momentum and profitability, so as to enhance the comprehensive competition and achieve stable, healthy and sustainable development of the Bank.

(b) Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

Reference is made to the announcement of the Bank dated 3 April 2020 (the “**Announcement dated 3 April**”) in relation to the Disposal Assets. Unless otherwise defined herein, the capitalized terms used in the section headed “Very Substantial Disposal in Relation to the Disposal of Assets of the Bank” shall have same meanings as those defined in the Announcement dated 3 April.

On 31 March 2020 (after trading hours), the Bank and the Purchaser entered into the Framework Disposal Agreement, pursuant to which the Bank has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposal Assets for the Consideration of RMB45.0 billion.

Pursuant to the Framework Disposal Agreement, the Bank has conditionally agreed to sell, and Chengfang Huida has conditionally agreed to purchase the Disposal Assets, being certain credit assets and other assets held by the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies). The original book value of the debt principal amount of the disposed assets is approximately RMB150 billion and the consideration paid by Chengfang Huida to the Bank for the Disposal is RMB45 billion.

Also, the Bank entered into an agreement to subscribe for a directional debt instrument in the principal amount of RMB75 billion issued by Jinzhou Jinyin Management Partnership (Limited Partnership) (錦州錦銀管理合夥企業(有限合夥)), being an entity set up by corporations controlled by Liaoning Financial Holding Group Corporation limited and the Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司), pursuant to which, among other things, (a) the obligation of the Bank to make payment for such subscription amount by the Bank shall be waived; and (b) the Bank will obtain from the issuer the repayment of premium and the interest at the rate of 2.25% per annum, totaling to no less than RMB5 billion per year in principle (the “**Debt Instrument Subscription**”).

Pursuant to the Disposal, (i) the deposit of the Bank at central bank will increase by approximately RMB45 billion; (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank's debt investment will increase by approximately RMB75 billion; and (iii) disposal of assets of approximately RMB150 billion will lead to an overall impairment reserve expense of approximately RMB30 billion. The net proceeds from the Disposal after deduction of expenses were approximately RMB45 billion, which are intended to be used for the general working capital of the Bank.

On 10 July 2020, the Bank convened the 2020 first extraordinary general meeting to consider and approve the Framework Disposal Agreement, the Disposal and the transactions contemplated thereunder. On 27 July 2020, all the conditions precedent contained in the Framework Disposal Agreement and the framework agreement in respect of the specific asset disposal agreement entered into had been fulfilled, and the Bank has entered into specific asset disposal agreements with the Purchaser for all assets disposed of, and the consideration had been fully settled. Therefore, the Disposal had been completed and the Disposed Assets have been fully sold and are no longer accounted for in consolidated financial statements of the Bank. In addition, considering that the Debt Instrument Subscription and the Disposal are parts of the Bank's restructuring plan and the Disposal was completed, the Debt Instrument Subscription had also been completed.

For the details, please refer to the Announcement dated 3 April and the announcements of the Bank dated 10 July 2020 and 27 July 2020.

Upon completion of the Disposal and the Debt Instrument Subscription, the movements of the key financial data and indicators are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2020		After the completion vs before the completion	
	After the completion	(Before the completion)	Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	768,965,892	821,265,555	(52,299,663)	(6.4)
Total liabilities	709,039,784	761,339,447	(52,299,663)	(6.9)
Total equity	59,926,108	59,926,108	–	–
Share capital	7,781,616	7,781,616	–	–
Capital Adequacy Indicators (%)			Change	
Core tier-one capital adequacy ratio	6.56	5.50	1.06	
Tier-one capital adequacy ratio	8.00	6.94	1.06	
Capital adequacy ratio	10.12	9.06	1.06	
Total equity to total assets	7.79	7.30	0.49	

As at the end of the Reporting Period, the Bank had recognised the Disposal Assets as assets held for sale. Therefore, the changes in asset quality indicators resulted from the Disposal has been reflected in the unaudited interim results for the six-month period ended 30 June 2020.

Completion of the Disposal and Debt Instrument Subscription will help to enhance the quality of the Bank's assets and the refined management of assets internally, to reduce the misappropriation of capital, to improve the capital adequacy ratio and liquidity of the Bank and to enhance the sustainability.

(c) Benefits of Completion of Proposed Asset Reorganization

After the completion of the Proposed Private Placement, Disposal and Debt Instrument Subscription (the “**Proposed Asset Reorganization**”), the key financial data and indicators change as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	After the completion of Proposed Asset Reorganization	As at 30 June 2020 (Before the completion of Proposed Asset Reorganization)	After the completion of Proposed Asset Reorganization vs before the completion of Proposed Asset Reorganization	
			Change	Rate of Change (%)
Asset/liability key indicators				
Total assets	768,965,892	821,265,555	(52,299,663)	(6.4)
Total liabilities	696,949,784	761,339,447	(64,389,663)	(8.5)
Total equity	72,016,108	59,926,108	12,090,000	20.2
Share capital	13,981,616	7,781,616	6,200,000	79.7
Capital Adequacy Indicators (%)			Rate of Change	
Core tier-one capital adequacy ratio	8.45	5.50	2.95	
Tier-one capital adequacy ratio	9.88	6.94	2.94	
Capital adequacy ratio	12.00	9.06	2.94	
Total equity to total assets	9.37	7.30	2.07	

Upon the completion of the Proposed Asset Reorganization, the total equity interest of the Bank will increase by RMB12.090 billion to RMB72.016 billion; the share capital will increase by RMB6.200 billion to RMB13.982 billion; the capital adequacy ratio is expected to amount to 12.00%, representing an increase of 2.94 percentage points as compared to that before the completion of Proposed Asset Reorganization.

Such Proposed Asset Reorganization will improve the Bank's risk resistance ability and strengthen its corporate governance level, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

5.2 Corporate Governance Code

The Bank continuously improved corporate governance mechanism, and gradually enhanced corporate governance level. The Bank has adopted relevant requirements set out in the Corporate Governance Code ("**Corporate Governance Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), administrative measures and corporate governance for commercial banks in China. The Bank has also established a corresponding corporate governance system. In accordance with relevant requirements, the Bank has set up dedicated and independent Board, board of supervisors and senior management. All members of the Board and board of supervisors of Bank (excluding employee representative Supervisors) were all elected at the general meetings by the Shareholders. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the transparency and governance standards persistently.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code and adopted the recommended best practices therein, where appropriate.

5.3 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by Directors and supervisors, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and supervisors of the Bank, each Director and supervisor of the Bank has confirmed that he/she has complied with such code of conduct during the Reporting Period.

5.4 Profits and Dividend

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the financial statements of this announcement.

The Board did not recommend to declare any interim dividend for the Reporting Period (for six-month period ended 30 June 2019: not declared).

5.5 Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

5.6 Review by Audit Committee

As at the end of the Reporting Period, the audit committee of the Bank (the “**Audit Committee**”) is comprised of five directors, namely, the independent non-executive Director Mr. Wang Xiongyuan (as the chairman), the non-executive Director Ms. Ning Jie, the non-executive Director Ms. Gu Jihong, the independent non-executive Director Mr. Su Mingzheng and the independent non-executive Director Mr. Xiao Geng (as the members). The Audit Committee has reviewed the unaudited consolidated interim financial statements of the Bank for the six-month period ended 30 June 2020.

6. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2020 Unaudited	2019 Unaudited
Interest income		20,940,446	26,190,636
Interest expense		(14,887,830)	(14,347,280)
Net interest income	4	6,052,616	11,843,356
Fee and commission income		118,491	274,627
Fee and commission expense		(25,682)	(121,804)
Net fee and commission income	5	92,809	152,823
Net trading gains	6	288,751	1,469,666
Dividend income		–	1,200
Net (losses)/gains arising from investment securities		(153)	77,623
Net foreign exchange gains/(losses)		1,790	(5,266)
Other net operating income		8,655	7,786
Operating income		6,444,468	13,547,188
Operating expenses	7	(1,511,117)	(1,823,905)
Operating profit before impairment		4,933,351	11,723,283
Impairment losses on assets	8	(4,428,740)	(12,774,275)
Profit/(loss) before tax		504,611	(1,050,992)
Income tax (expense)/credit	9	(91,349)	182,619
Profit/(loss) for the period		413,262	(868,373)
Attributable to:			
Equity shareholders of the Bank		406,644	(998,600)
Non-controlling interests		6,618	130,227
Profit/(loss) for the period		413,262	(868,373)
Basic and diluted earnings/(losses) per share (in RMB)	10	0.05	(0.13)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit/(loss) for the period	413,262	(868,373)
Other comprehensive income for the period:		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments at fair value through other comprehensive income:		
– Change in fair value	(19,049)	(140,167)
– Change in impairment provision	9,288	(6,452)
– Reclassified to profit or loss upon disposal	1,250	(80,984)
– Related income tax effect	2,128	56,901
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(5)	(6)
– Equity instruments designated at fair value through other comprehensive income:		
– Change in fair value	18,380	(21,857)
– Related income tax effect	(4,595)	5,464
	<u>7,397</u>	<u>(187,101)</u>
Other comprehensive income/(loss) for the period	7,397	(187,101)
	<u>420,659</u>	<u>(1,055,474)</u>
Total comprehensive income/(loss) for the period	420,659	(1,055,474)
Attributable to:		
Equity shareholders of the Bank	414,041	(1,185,701)
Non-controlling interests	6,618	130,227
	<u>420,659</u>	<u>(1,055,474)</u>
Total comprehensive income/(loss) for the period	420,659	(1,055,474)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
Assets			
Cash and deposits with the central bank		45,970,983	105,176,537
Deposits with banks and other financial institutions		27,012,030	8,301,592
Placements with banks and other financial institutions		5,682,521	5,643,864
Positive fair value of derivatives		33,770	84,969
Financial assets held under resale agreements		13,521,683	–
Loans and advances to customers		407,329,790	452,695,511
Financial assets at fair value through profit or loss	<i>11</i>	31,305,165	55,157,171
Financial assets at fair value through other comprehensive income	<i>12</i>	13,006,699	12,559,843
Financial assets measured at amortised cost	<i>13</i>	128,650,274	165,149,391
Finance lease receivables		4,182,628	6,408,314
Assets held for sale		120,000,000	–
Property and equipment		6,844,965	7,015,575
Deferred tax assets		13,106,389	11,841,585
Other assets		4,618,658	6,659,839
Total assets		<u>821,265,555</u>	<u>836,694,191</u>
Liabilities and equity			
Liabilities			
Borrowing from the central bank		102,180	33,079,647
Deposits from banks and other financial institutions		171,759,383	178,117,754
Placements from banks and other financial institutions		17,901,218	27,731,363
Financial liabilities at fair value through profit or loss		3,773,853	6,282,210
Negative fair value of derivatives		75,998	100,011
Financial assets sold under repurchase agreements		19,602,805	10,106,602
Deposits from customers		413,977,645	407,112,779
Accrued staff costs		338,673	334,976
Income tax payable		1,147,335	1,622,478
Other taxes payable		689,712	412,966
Debt securities payable		129,938,048	110,108,837
Provisions		418,226	613,313
Other liabilities		1,614,371	1,565,806
Total liabilities		<u>761,339,447</u>	<u>777,188,742</u>

	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
Equity		
Share capital	7,781,616	7,781,616
Other equity instruments including:		
Offshore preference shares	9,897,363	9,897,363
Capital reserve	20,590,718	20,583,321
Surplus reserve	2,994,679	2,994,679
General reserve	11,800,217	11,800,217
Retained earnings	<u>3,020,866</u>	<u>2,614,222</u>
Total equity attributable to equity shareholders of the Bank	56,085,459	55,671,418
Non-controlling interests	<u>3,840,649</u>	<u>3,834,031</u>
Total equity	<u>59,926,108</u>	<u>59,505,449</u>
Total liabilities and equity	<u><u>821,265,555</u></u>	<u><u>836,694,191</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

(Expressed in thousands of Renminbi, unless otherwise stated)

	Unaudited								
	Attributable to shareholders of the Bank								
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non- controlling interests	Total
Balance at 1 January 2020	7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449
Changes in equity for the period:									
Profit for the period	-	-	-	-	-	406,644	406,644	6,618	413,262
Other comprehensive income	-	-	7,397	-	-	-	7,397	-	7,397
Total comprehensive income	-	-	7,397	-	-	406,644	414,041	6,618	420,659
Balance at 30 June 2020	<u>7,781,616</u>	<u>9,897,363</u>	<u>20,590,718</u>	<u>2,994,679</u>	<u>11,800,217</u>	<u>3,020,866</u>	<u>56,085,459</u>	<u>3,840,649</u>	<u>59,926,108</u>
Balance at 1 January 2019	7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the period:									
Loss for the period	-	-	-	-	-	(998,600)	(998,600)	130,227	(868,373)
Other comprehensive loss	-	-	(187,101)	-	-	-	(187,101)	-	(187,101)
Total comprehensive loss	-	-	(187,101)	-	-	(998,600)	(1,185,701)	130,227	(1,055,474)
Balance at 30 June 2019	<u>7,781,616</u>	<u>9,897,363</u>	<u>20,543,669</u>	<u>2,994,679</u>	<u>11,802,132</u>	<u>2,572,252</u>	<u>55,591,711</u>	<u>4,115,959</u>	<u>59,707,670</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Cash flows from operating activities		
Profit/(loss) for the period	413,262	(868,373)
Adjustments for:		
Impairment losses on assets	4,428,740	12,774,275
Depreciation and amortisation	288,063	274,576
Interest expense on lease liabilities	7,082	–
Unwinding of discount	–	(415,178)
Unrealised foreign exchange gains, net	(31,780)	(25,983)
Dividend income	–	(1,200)
Net losses/(gains) arising from investment securities	153	(77,623)
Net trading gains	(288,751)	(1,469,666)
Interest expense on debts securities payable	2,835,650	1,624,785
Net (gains)/losses on disposal of property and equipment and other long term assets	(163)	2,103
Income tax expense/(credit)	91,349	(182,619)
Subtotal	<u>7,743,605</u>	<u>11,635,097</u>
Changes in operating assets		
Net decrease in deposits with the central bank, banks and other financial institutions	4,646,725	4,998,363
Net increase in placements with banks and other financial institutions	–	(2,499,813)
Net increase in loans and advances to customers	(21,988,848)	(56,571,135)
Net decrease/(increase) in finance lease receivables	2,198,651	(271,564)
Net increase in other operating assets	(11,955,235)	(3,409,591)
Subtotal	<u>(27,098,707)</u>	<u>(57,753,740)</u>
Changes in operating liabilities		
Net (decrease)/increase in borrowing from central bank	(32,938,190)	19,931,653
Net decrease in deposits from banks and other financial institutions	(6,234,076)	(25,867,008)
Net increase/(decrease) in financial assets sold under repurchase agreements	9,502,146	(8,100,023)
Net (decrease)/increase in placements from banks and other financial institutions	(9,610,948)	9,648,658
Net increase in deposits from customers	8,024,770	1,456,808
Income tax paid	(1,833,764)	(2,584,357)
Net (decrease)/increase in other operating liabilities	(1,182,023)	16,307
Subtotal	<u>(34,272,085)</u>	<u>(5,497,962)</u>
Net cash flows used in operating activities	<u>(53,627,187)</u>	<u>(51,616,605)</u>

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	63,318,901	136,758,660
Dividend received	–	1,200
Proceeds from disposal of property and equipment and other assets	319	1,391
Payments on acquisition of investments	(48,842,986)	(79,969,219)
Payments on acquisition of property and equipment, intangible assets and other assets	<u>(31,037)</u>	<u>(569,054)</u>
Net cash flows generated from investing activities	<u>14,445,197</u>	<u>56,222,978</u>
Cash flows from financing activities		
Proceeds from issue of debt securities	166,711,646	54,719,957
Repayment of debts securities issued	(149,480,000)	(66,810,000)
Interest paid on debts securities issued	(238,085)	(404,710)
Dividend paid	(9,920)	(83,331)
Repayment of lease liabilities	<u>(33,046)</u>	<u>(47,809)</u>
Net cash flows generated from/(used in) financing activities	<u>16,950,595</u>	<u>(12,625,893)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(31,735)</u>	<u>(31,804)</u>
Net decrease in cash and cash equivalents	<u>(22,263,130)</u>	<u>(8,051,324)</u>
Cash and cash equivalents at the beginning of the period	<u>67,534,887</u>	<u>19,886,632</u>
Cash and cash equivalents at the end of the period	<u><u>45,271,757</u></u>	<u><u>11,835,308</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (“**PBOC**”) (Yin Fu [1997] No.29).

The Bank obtained its finance permit No.B0127H221070001 from the China Banking Regulatory Commission (the (“**CBRC**”), which was renamed as China Banking and Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018 of the People’s Republic of China (the “**PRC**”). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank’s H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). At 30 June 2020, the share capital of the Bank was RMB7,782 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan. At 30 June 2020, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The unaudited condensed consolidated interim financial information do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Assets Held for Sale

Non-current assets and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (a) their carrying amounts will be recovered principally through sale; (b) they are available for sale in their present condition; and (c) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the asset (or assets and liabilities in the disposal group) are measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

Income earned and expenses incurred on assets and liabilities of disposal groups held for sale continue to be recognised in the appropriate line items in the consolidated income statement until the transaction is complete.

In addition, the Group has adopted the following amendments to IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB to these financial statement for the current accounting period.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material

The Group has not applied any new standard or interpretations that is not yet effective for the current accounting period.

The application of the new and amendments to IFRS in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial information.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The nature and assumptions related to the Group’s accounting estimates are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2019.

4 NET INTEREST INCOME

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Interest income arising from		
Deposits with the central bank	343,332	438,050
Deposits with banks and other financial institutions	94,269	189,010
Placements with banks and other financial institutions	84,826	125,441
Loans and advances to customers		
– Corporate loans	14,127,848	13,714,872
– Personal loans	241,629	362,429
– Discounted bills	27,073	84,230
Financial assets held under resale agreements	103,721	71,865
Financial assets at fair value through other comprehensive income	210,955	846,508
Financial assets measured at amortised cost	5,505,866	10,012,303
Finance lease receivables	200,927	345,928
	<u>20,940,446</u>	<u>26,190,636</u>
Subtotal	<u>20,940,446</u>	<u>26,190,636</u>
Interest expense arising from		
Borrowing from the central bank	22,381	46,734
Deposits from banks and other financial institutions	4,345,144	3,454,271
Placements from banks and other financial institutions	218,172	546,445
Deposits from customers		
– Corporate customers	1,111,715	2,755,763
– Individual customers	6,243,249	5,344,521
Financial assets sold under repurchase agreements	111,519	566,159
Debt securities payable	2,835,650	1,624,785
Interest on lease liabilities	–	8,602
	<u>14,887,830</u>	<u>14,347,280</u>
Subtotal	<u>14,887,830</u>	<u>14,347,280</u>
Net interest income	<u>6,052,616</u>	<u>11,843,356</u>
Of which: Interest income arising from impaired financial assets identified	<u>–</u>	<u>415,178</u>

5 NET FEE AND COMMISSION INCOME

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Fee and commission income		
Agency services fees	11,511	42,163
Settlement and clearing fees	28,679	76,120
Wealth management service fees	63,757	86,384
Underwriting and advisory fees	2,387	40,434
Bank card service fees	6,783	5,946
Others	5,374	23,580
	<hr/>	<hr/>
Subtotal	118,491	274,627
	<hr/>	<hr/>
Fee and commission expenses		
Settlement and clearing fees	11,736	21,420
Others	13,946	100,384
	<hr/>	<hr/>
Subtotal	25,682	121,804
	<hr/>	<hr/>
Net fee and commission income	<u>92,809</u>	<u>152,823</u>

6 NET TRADING GAINS

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Trading financial instruments		
– Debt securities issued	246,744	1,344,687
– Derivative financial instruments	–	(655)
– Precious metals	–	1
	<hr/>	<hr/>
Subtotal	246,744	1,344,033
	<hr/>	<hr/>
Financial instruments designated at fair value through profit or loss	42,007	125,633
	<hr/>	<hr/>
Total	<u>288,751</u>	<u>1,469,666</u>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments.

7 OPERATING EXPENSES

	For the six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Staff costs		
– Salaries and bonuses	579,544	730,030
– Social insurance	59,654	142,776
– Housing allowances	57,856	51,280
– Union funds and education funds	23,083	28,711
– Staff welfare	17,609	22,548
– Supplementary retirement benefits	1,312	1,212
– Other long-term staff welfare	2,598	1,322
	<u>741,656</u>	<u>977,879</u>
Subtotal		
	<u>741,656</u>	<u>977,879</u>
Premises and equipment expenses		
– Depreciation and amortisation	288,063	274,576
– Rental and property management expenses	624	9,216
	<u>288,687</u>	<u>283,792</u>
Subtotal		
	<u>288,687</u>	<u>283,792</u>
Tax and surcharges	160,297	144,416
Interest expense on lease liabilities	7,082	–
Other general and administrative expenses	313,395	417,818
	<u>1,511,117</u>	<u>1,823,905</u>
Total	<u><u>1,511,117</u></u>	<u><u>1,823,905</u></u>

8 IMPAIRMENT LOSSES ON ASSETS

	For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Loans and advances to customers		
– ECL over the next 12 months	167,777	773,081
– lifetime ECL - not credit-impaired loans	1,821,738	3,327,750
– lifetime ECL - credit-impaired loans	1,517,191	4,465,924
Subtotal	3,506,706	8,566,755
Deposits and placements with banks and other financial institutions	(1,204)	109,087
Financial assets at fair value through other comprehensive income	9,288	(6,452)
Financial assets measured at amortised cost	1,070,517	4,238,766
Finance lease receivables	38,660	(74,643)
Credit commitments	(195,087)	(128,586)
Others	(140)	69,348
Total	4,428,740	12,774,275

9 INCOME TAX EXPENSE/(CREDIT)

(a) *Income tax expense/(credit):*

	For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Current income tax	1,358,620	2,420,788
Deferred income tax	(1,267,271)	(2,603,407)
Total	91,349	(182,619)

(b) Reconciliation between income tax and accounting profit/(loss) are as follows:

	For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit/(loss) before tax	504,611	(1,050,992)
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	126,153	(262,748)
Non-deductible expenses		
– Staff costs	186	–
– Others	64,821	114,916
	<u>65,007</u>	<u>114,916</u>
Subtotal		
	<u>65,007</u>	<u>114,916</u>
Non-taxable income		
– Interest income from the PRC government bonds	(10,312)	(17,412)
– Others	(9,826)	(18,171)
Impact of deductible temporary differences and deductible losses on unrecognised deferred tax assets during the year	4,830	796
Overprovision of tax in prior years	(84,503)	–
	<u>(84,503)</u>	<u>–</u>
Total	<u>91,349</u>	<u>(182,619)</u>

10 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE

	For the six-month period ended 30 June	
	2020 Unaudited	2019 Unaudited
Net profit/(loss) attributable to equity shareholders of the Bank	406,644	(998,600)
Weighted average number of ordinary shares (in thousands)	7,781,616	7,781,616
Basic and diluted earnings/(losses) per share attributable to equity shareholders of the Bank (in RMB)	<u>0.05</u>	<u>(0.13)</u>

The Bank issued non-cumulative preference shares on 27 October 2017. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six-month period ended 30 June 2020 and 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings/(losses) per share.

There is no difference between basic and diluted earnings/(losses) per share as there were no potentially dilutive shares outstanding during the relevant periods.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June	31 December
		2020 Unaudited	2019 Audited
Debt instruments held for trading	(a)	5,612,178	5,560,214
Certificates of deposit		–	397,037
Beneficial interest transfer plans	(b)	21,314,418	42,307,325
Balance with a bank		410,405	405,214
Wealth management products		<u>202,718</u>	<u>200,129</u>
Subtotal		<u>27,539,719</u>	<u>48,869,919</u>
Financial assets designated at fair value through profit or loss	(c)	<u>3,765,446</u>	<u>6,287,252</u>
Total		<u>31,305,165</u>	<u>55,157,171</u>

Notes:

(a) Debt instruments held for trading

	30 June 2020 Unaudited	31 December 2019 Audited
Issued by institutions in Mainland China		
– Banks and other financial institutions	<u>3,250,396</u>	<u>3,232,894</u>
Issued by institutions outside Mainland China		
– Banks and other financial institutions	<u>2,361,782</u>	<u>2,327,320</u>
Total	<u><u>5,612,178</u></u>	<u><u>5,560,214</u></u>
Listed	3,250,396	3,232,894
Unlisted	<u>2,361,782</u>	<u>2,327,320</u>
Total	<u><u>5,612,178</u></u>	<u><u>5,560,214</u></u>

At the end of the period/year, some of the debt instruments held for trading and certificate of deposit are used for the pledge of the repurchase agreements.

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measures at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements in fair value of these investments was RMB42 million for the six-month period ended 30 June 2020.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 Unaudited	31 December 2019 Audited
Debt instruments issuers in Mainland China		
– Government	2,790,647	2,747,714
– Banks and other financial institutions	7,865,953	7,975,166
– Corporations	<u>786,486</u>	<u>473,621</u>
Subtotal	<u>11,443,086</u>	<u>11,196,501</u>
Equity investments		
– Listed	188,283	66,469
– Unlisted	<u>1,158,750</u>	<u>1,165,027</u>
Add: Interests receivable	<u>216,580</u>	<u>131,846</u>
Total	<u><u>13,006,699</u></u>	<u><u>12,559,843</u></u>

At the end of the period/year, some of the debt instruments issued by Governments, bank and other institutions in Mainland China are used for the pledge of repurchase agreements.

Notes:

- (a) Provision for impairment of financial assets measured at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial investments presented in the condensed consolidated statement of financial position is not reduced.
- (b) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. At 30 June 2020, the amount for these non-trading equity investments was RMB1,347 million (31 December 2019: RMB1,232 million). The dividend income from these non-trading equity investments amounted to Nil (for the six-month period ended 30 June 2019: RMB1.20 million) and was included in profit or loss. During the reporting period, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings. The fair value gains on these investments were RMB18 million for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: losses of RMB22 million).

13 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 June 2020 Unaudited	31 December 2019 Audited
Debt securities issued by the following institutions in		
Mainland China		
– Government	1,988,956	1,989,281
– Banks and other financial institutions	1,739,046	1,240,000
– Corporations	<u>19,987</u>	<u>19,956</u>
Subtotal	<u>3,747,989</u>	<u>3,249,237</u>
Issuers outside Mainland China		
– Corporate	1,769,875	1,744,050
Beneficial interest transfer plans	120,814,393	165,999,362
Add: Interest receivable	9,398,441	3,389,639
Less: Provision for impairment losses	<u>(7,080,424)</u>	<u>(9,232,897)</u>
Total	<u><u>128,650,274</u></u>	<u><u>165,149,391</u></u>

At the end of the period/year, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements.

The movements of provision for financial assets measured at amortised cost are as follows:

	For the six-month period ended 30 June 2020			
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit- impaired Unaudited	Total Unaudited
Balance at 1 January	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Transferred				
– to ECL over the next 12 months	(541,316)	541,316	–	–
– to lifetime ECL – not credit- impaired	426,236	(426,236)	–	–
– to lifetime ECL – credit- impaired	846,776	1,806,654	(2,653,430)	–
Net charge for the period	(432,632)	(220,721)	(417,164)	(1,070,517)
Transferred to assets held for sale	402,928	1,839,504	980,558	3,222,990
Balance at 30 June 2020	<u>(2,447,467)</u>	<u>(1,193,733)</u>	<u>(3,439,224)</u>	<u>(7,080,424)</u>

	For the year ended 31 December 2019			
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit- impaired Audited	Total Audited
Balance at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(136,579)	136,579	–	–
– to lifetime ECL – not credit- impaired	196,247	(1,735,926)	1,539,679	–
– to lifetime ECL – credit- impaired	–	21,858	(21,858)	–
Net (charge)/release for the year	405,245	(1,392,559)	983,435	(3,879)
Balance at 31 December 2019	<u>(3,149,459)</u>	<u>(4,734,250)</u>	<u>(1,349,188)</u>	<u>(9,232,897)</u>

14 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as “External net interest income/expense”. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as “Internal net interest income/expense”.

Consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposit, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group’s own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the PBOC. Expenses are distributed.

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, intangible assets and other long-term assets.

(a) *Segment results, assets and liabilities*

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended					
30 June 2020					
Operating income					
External net interest income/(expense)	12,118,196	(5,979,636)	(85,944)	–	6,052,616
Internal net interest (expense)/income	<u>(7,437,974)</u>	<u>6,333,412</u>	<u>1,104,562</u>	<u>–</u>	<u>–</u>
Net interest income	4,680,222	353,776	1,018,618	–	6,052,616
Net fee and commission income	31,370	79,618	(18,179)	–	92,809
Net trading gains	–	–	288,751	–	288,751
Net losses arising from investment securities	–	–	(153)	–	(153)
Net foreign exchange gains	–	–	1,790	–	1,790
Other net operating income	<u>18</u>	<u>–</u>	<u>–</u>	<u>8,637</u>	<u>8,655</u>
Total operating income	4,711,610	433,394	1,290,827	8,637	6,444,468
Operating expenses	<u>(334,261)</u>	<u>(520,460)</u>	<u>(432,334)</u>	<u>(224,062)</u>	<u>(1,511,117)</u>
Operating profit/(loss) before impairment	4,377,349	(87,066)	858,493	(215,425)	4,933,351
Impairment losses on assets	<u>(2,364,009)</u>	<u>(1,181,356)</u>	<u>(1,078,462)</u>	<u>195,087</u>	<u>(4,428,740)</u>
Segment profit/(loss) before tax	<u>2,013,340</u>	<u>(1,268,422)</u>	<u>(219,969)</u>	<u>(20,338)</u>	<u>504,611</u>
Other segment information:					
– Depreciation and amortisation	<u>(93,225)</u>	<u>(58,048)</u>	<u>(109,466)</u>	<u>(27,324)</u>	<u>(288,063)</u>
– Capital expenditure	<u>9,958</u>	<u>5,607</u>	<u>12,526</u>	<u>2,946</u>	<u>31,037</u>
At 30 June 2020					
Segment assets	397,213,149	8,728,394	271,371,573	130,846,050	808,159,166
Deferred tax assets					<u>13,106,389</u>
Total assets					<u>821,265,555</u>
Segment liabilities	128,170,167	284,475,358	344,441,020	3,916,823	761,003,368
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>336,079</u>	<u>336,079</u>
Total liabilities	<u>128,170,167</u>	<u>284,475,358</u>	<u>344,441,020</u>	<u>4,252,902</u>	<u>761,339,447</u>

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended					
30 June 2019					
Operating income					
External net interest income/(expense)	11,043,338	(4,982,092)	5,782,110	–	11,843,356
Internal net interest (expense)/income	(4,428,856)	5,654,124	(1,225,268)	–	–
Net interest income	6,614,482	672,032	4,556,842	–	11,843,356
Net fee and commission income	43,297	104,520	5,006	–	152,823
Net trading gains	–	–	1,469,666	–	1,469,666
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	77,623	–	77,623
Net foreign exchange (losses)/gains	2,653	257	(8,302)	126	(5,266)
Other net operating income	–	–	–	7,786	7,786
Total operating income	6,660,432	776,809	6,102,035	7,912	13,547,188
Operating expenses	(896,012)	(104,509)	(822,336)	(1,048)	(1,823,905)
Operating profit before impairment	5,764,420	672,300	5,279,699	6,864	11,723,283
Impairment losses on assets	(9,536,654)	(256,790)	(2,980,831)	–	(12,774,275)
Segment (loss)/profit before tax	<u>(3,772,234)</u>	<u>415,510</u>	<u>2,298,868</u>	<u>6,864</u>	<u>(1,050,992)</u>
Other segment information:					
– Depreciation and amortisation	<u>(97,530)</u>	<u>(51,456)</u>	<u>(110,050)</u>	<u>(15,540)</u>	<u>(274,576)</u>
– Capital expenditure	<u>202,128</u>	<u>106,641</u>	<u>228,077</u>	<u>32,208</u>	<u>569,054</u>

	Corporate banking business Audited	Retail banking business Audited	Treasury business Audited	Other business and undistributed project Audited	Total Audited
At 31 December 2019					
Segment assets	450,446,832	10,995,608	350,691,133	12,719,033	824,852,606
Deferred tax assets					<u>11,841,585</u>
Total assets					<u><u>836,694,191</u></u>
Segment liabilities	164,813,489	246,595,913	364,358,588	1,074,753	776,842,743
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>345,999</u>	<u>345,999</u>
Total liabilities	<u><u>164,813,489</u></u>	<u><u>246,595,913</u></u>	<u><u>364,358,588</u></u>	<u><u>1,420,752</u></u>	<u><u>777,188,742</u></u>

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income.

The distribution of the geographical areas is as follows:

- “Jinzhou Region” including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.
- “Other Northeastern China Region” including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.
- “Northern China Region” including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	For six-month period ended 30 June	
	2020	2019
	Unaudited	Unaudited
Jinzhou Region	4,558,111	10,714,408
Other Northeastern China Region	1,015,416	1,539,525
Northern China Region	870,941	1,293,255
	<hr/>	<hr/>
Total	6,444,468	13,547,188
	<hr/> <hr/>	<hr/> <hr/>

	Non-current assets	
	30 June	31 December
	2020	2019
	Unaudited	Audited
Jinzhou Region	3,358,122	3,206,652
Other Northeastern China Region	3,436,189	3,700,122
Northern China Region	747,263	889,230
	<hr/>	<hr/>
Total	7,541,574	7,796,004
	<hr/> <hr/>	<hr/> <hr/>

15 COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Credit commitments*

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The management of the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2020 Unaudited	31 December 2019 Audited
Loan commitments		
– Original contractual maturity within one year	113,845	2,359,907
– Original contractual maturity more than one year (inclusive)	20,000	–
Credit card commitments	<u>1,274,593</u>	<u>837,508</u>
Subtotal	<u>1,408,438</u>	<u>3,197,415</u>
Acceptances	84,017,537	119,543,175
Letters of guarantees	102,372	99,443
Letters of credit	<u>1,133,002</u>	<u>4,496,980</u>
Total	<u><u>86,661,349</u></u>	<u><u>127,337,013</u></u>

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Capital commitments

At the balance sheet date, the Group's authorised capital commitments are as follows:

	30 June 2020 Unaudited	31 December 2019 Audited
Contracted but not provided for		
– Purchase of property and equipment	<u>50,769</u>	<u>47,169</u>

(c) Outstanding litigations and disputes

As at 30 June 2020, the Group had no material outstanding litigation and disputes with gross claims.

7. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement was published on the website of HKEXnews of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2020 interim report prepared in accordance with the Listing Rules and the IFRS will be released on the website of HKEXnews of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Bank of Jinzhou Co., Ltd.*
Wei Xuekun
Chairman

Jinzhou, the PRC
20 August 2020

As at the date of this announcement, the Board comprises Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive Directors; and Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors.

* Bank of Jinzhou Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.